



**CLARK SCHAEFER HACKETT**  
BUSINESS ADVISORS

## **City of Lapeer, Michigan**

County of Lapeer

Financial Statements

June 30, 2020

with 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, 2020, 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Tax Increment Finance Authority, Brownfield Development, Local Development Finance Authority, and the Economic Development Corporation, were not audited in accordance with *Government Auditing Standards*.

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, 2020, 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.

## **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 nonmajor fund financial statements, 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 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 17, 2020, 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 17, 2020

## 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, 2020. Please read it in conjunction with the City's financial statements.

### FINANCIAL HIGHLIGHTS

- State Revenue Sharing (sales tax) funds continued to be lower than historical levels. The City received \$809,058 in the current year compared to \$859,081 in the prior year, a decrease of \$50,023 or 6%.
- The current year net City income tax revenue of \$3,805,980 was \$382,743 or 10% more than the prior year revenue of \$3,423,237.
- The current year City property tax revenue of \$3,114,645 was \$124,877 or 4% more than the prior year revenue of \$2,989,768.
- The current year General Fund interest on investments revenue of \$54,944 was \$21,063 or 62% more than the prior year revenue of \$33,881.
- Among other improvement projects, the City completed the Davison Rd Reconstruction project, started the Millville Road Reconstruction Project, purchased a 2019 Elgin Street Sweeper (\$200,000) and completed road crack sealing at various locations (\$94,352).
- 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 adopted GASB Statement No. 84, *Fiduciary Activities*. The requirements of this Statement is to provide enhanced consistency and comparability by establishing specific criteria for fiduciary activity and clarifying the activity that is reported.

### 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 position* and changes in them. You can think of the City's net position – 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 position 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 decreased from \$62,597,258 to \$62,423,697, a decrease of \$173,561 or less than 1%. In the prior year the net position increased \$3,201,399 or 5.4%. The net position for the governmental activities decreased from \$41,382,871 to \$38,878,671, a decrease of \$2,504,200 or 6%. In the prior year the net position increased from \$39,058,100 to \$41,382,871, an increase of \$2,324,771 or 6%. The net position for the business-type activities increased from \$21,214,387 to \$23,545,026, an increase of \$2,330,639 or 11%. In the prior year the net position increased from \$20,337,759 to \$21,214,387, an increase of \$876,628 or 4.3%.



Table 1 Net Position (In Millions)	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current Assets	\$ 9.0	\$ 12.6	\$ 8.9	\$ 4.4	\$ 17.9	\$ 17.0
Capital Assets	54.3	58.2	27.5	28.7	81.8	86.9
Total assets	63.3	70.8	36.4	33.1	99.7	103.9
					-	
Deferred outflows of	2.1	2.4	0.5	0.6	2.6	3.0
Liabilities						
Current Liabilities	1.9	3.5	2.3	1.0	4.2	4.5
Noncurrent liabilities	21.4	22.8	10.0	10.0	31.4	32.8
Total liabilities	23.3	26.2	12.3	11.1	35.6	37.3
					-	
Deferred inflows of	3.2	5.6	1.1	1.4	4.3	7.1
Net Position					-	
Net investment in capital	50.9	52.7	22.3	22.5	73.2	75.2
Restricted	0.1	-	-	-	0.1	-
Unrestricted (deficit)	(12.1)	(11.3)	1.2	(1.3)	(10.9)	(12.6)
Total net position	38.9	41.4	23.5	21.2	62.4	62.6

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 \$22.7 million of which \$15 million was from governmental activities and \$7.7 million was from business-type activities. In the prior year, total revenue from all sources totaled \$24.9 million of which \$15.8 million was from governmental activities and \$8.9 million was from business-type activities. The total revenue from all sources decreased \$1.8 million or less than 1%.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	2.3	2.8	7.0	7.3	9.3	10.1
Operating grants and contributions	3.4	2.7	0.3	1.6	3.7	4.3
General revenues:					-	-
Taxes	7.0	8.1	-	-	7.0	8.1
State shared revenue	0.8	0.9	-	-	0.8	0.9
Other	1.5	1.4	0.3	0.0	1.9	1.4
Total Revenues	<u>15.0</u>	<u>15.8</u>	<u>7.7</u>	<u>8.9</u>	<u>22.7</u>	<u>24.7</u>
Expenses:						
General government	2.3	4.2	-	-	2.3	4.2
Public safety	4.3	2.9	-	-	4.3	2.9
Public works	0.3	0.9	-	-	0.3	0.9
Community development and enrichment	2.1	1.0	-	-	2.1	1.0
Highway and streets	2.7	2.6	-	-	2.7	2.6
Culture and recreation	2.3	1.7	-	-	2.3	1.7
Water	-	-	3.9	2.8	3.9	2.8
Wastewater	-	-	5.4	5.0	5.4	5.0
Parking	-	-	(0.3)	(0.0)	(0.3)	(0.0)
Interest on long-term debt	0.1	0.1	-	-	0.1	0.1
Total Expenses	<u>14.0</u>	<u>13.5</u>	<u>8.9</u>	<u>7.7</u>	<u>22.9</u>	<u>21.2</u>
Change in net Position Before transfers	1.1	2.0	(1.3)	1.3	(0.2)	3.2
Transfers	<u>(3.6)</u>	<u>0.4</u>	<u>3.6</u>	<u>(0.4)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(2.5)	2.3	2.3	0.9	(0.2)	3.2
Net position, July 1	<u>41.4</u>	<u>39.1</u>	<u>21.2</u>	<u>20.3</u>	<u>62.6</u>	<u>59.4</u>
Net position, June 30	<u>38.9</u>	<u>41.4</u>	<u>23.5</u>	<u>21.2</u>	<u>62.4</u>	<u>62.6</u>

## **Governmental Activities**

The net position for the governmental activities decreased from \$41,382,871 to \$38,878,671 a decrease of \$2,504,200 or 6% from the prior year.

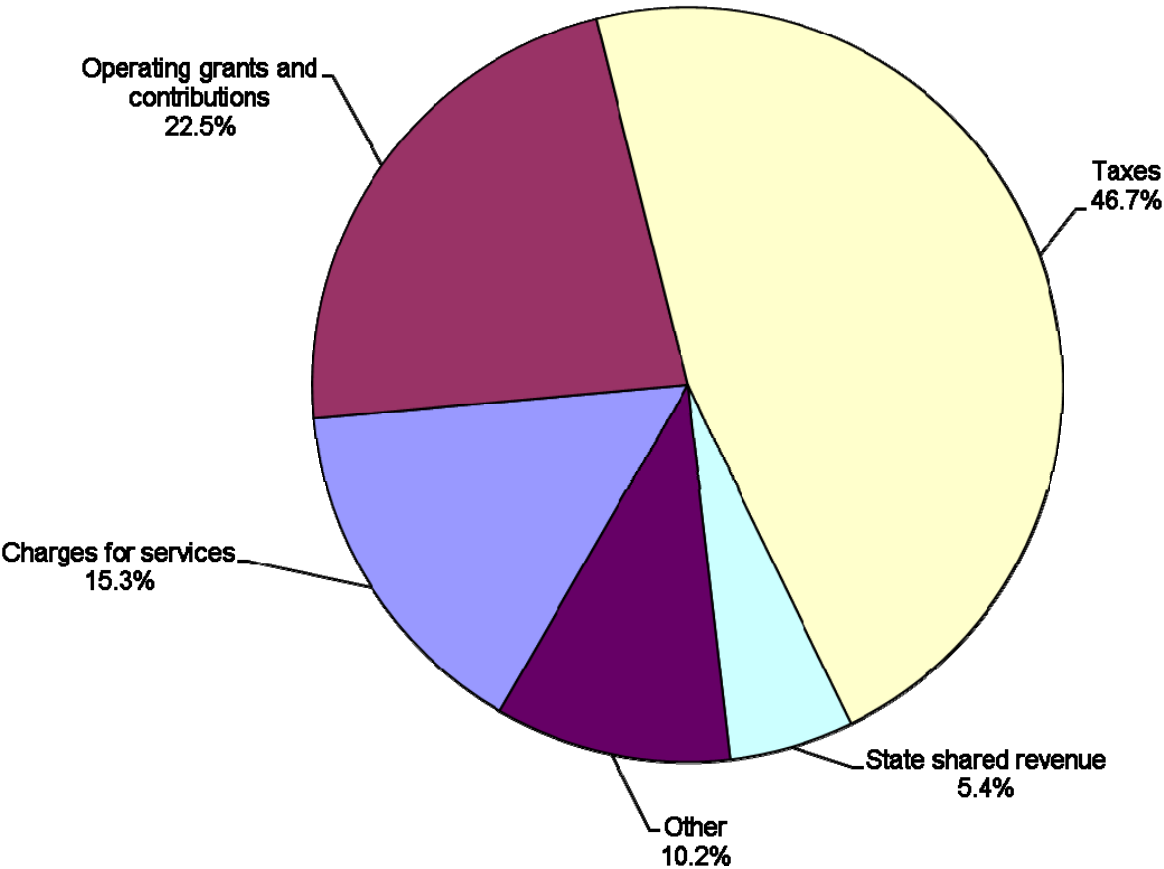
The governmental activities revenue of \$15 million reflects a decrease of \$0.8 million or 5% from the prior year. The governmental activities received \$7 million or 46.7 % from taxes. 15.3% of governmental activity was funded from charges for services and 5.4% was funded by state shared revenue. 22.5% of governmental activity was funded from operating grants and contributions. The remaining 10.1% of revenue was from unrestricted investment earnings and other revenue.

The governmental activities of the city had an expense of \$14 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.

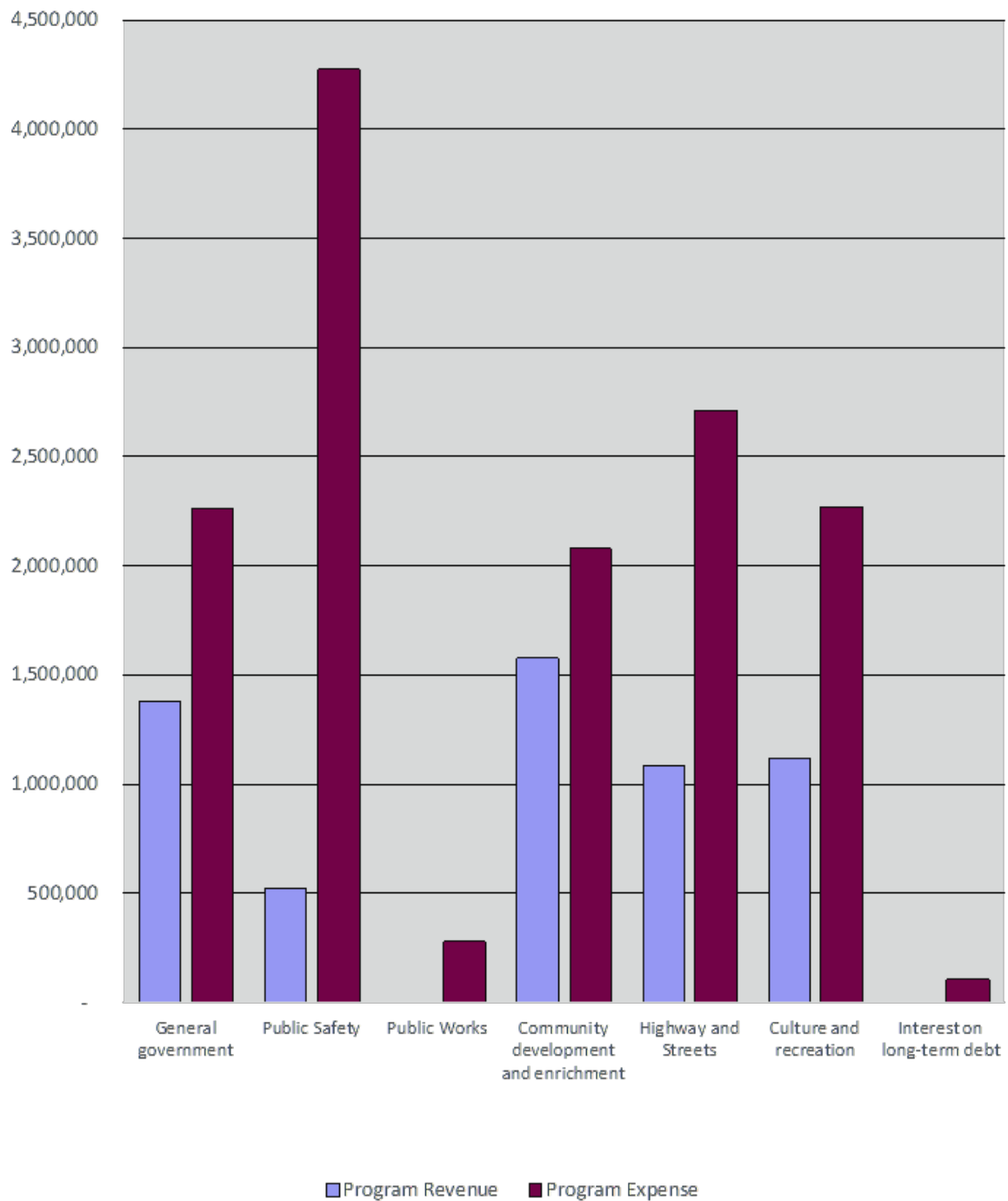
The \$14 million for governmental activities was partially funded from \$5.7 million in program revenues. The balance of this cost was funded from taxes and other revenues. The expenditures for governmental activities by classification occurred in general government at \$2.3 million, public safety at \$4.3 million, public works at \$0.3 million, community development and enrichment at \$2.1 million, highway and streets at \$2.7 million, culture and recreation at \$2.3 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 60.1% for general government, 12% for public safety, 0.0% for public works, 76% for community development and enrichment, 40% for highways and streets, 49% for culture and recreation, 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.

Revenues by Source - Governmental Activities



## Expenses and Program Revenues - Governmental Activities



## Business-type Activities

The net position of the City's business-type activities increased from \$21,214,387 to \$23,545,026, an increase of \$2,330,639 or 11%.

The business-type activities revenue of \$7.7 million reflects a decrease of \$1.3 million or 15% from the prior year. The business-type activities received \$7 million or 92.2% from charges for services, \$0.3 million or 2.6% from operating grants and contributions and \$.4 million or 5.2% from unrestricted investment earnings and other revenue.

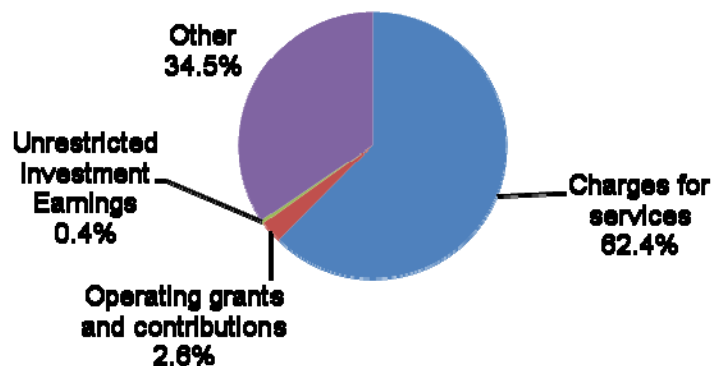
The Water Fund total operating expenses were \$3.9 million compared to \$3.0 million in program revenues. The City is a member of the Great Lakes Water Authority which purchases its water from the Detroit Water System. The current year purchase of water increased by \$77,146 from the prior year of \$1,438,373 to \$1,515,519. This represented 39% 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 \$5.4 million compared to \$4.4 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.

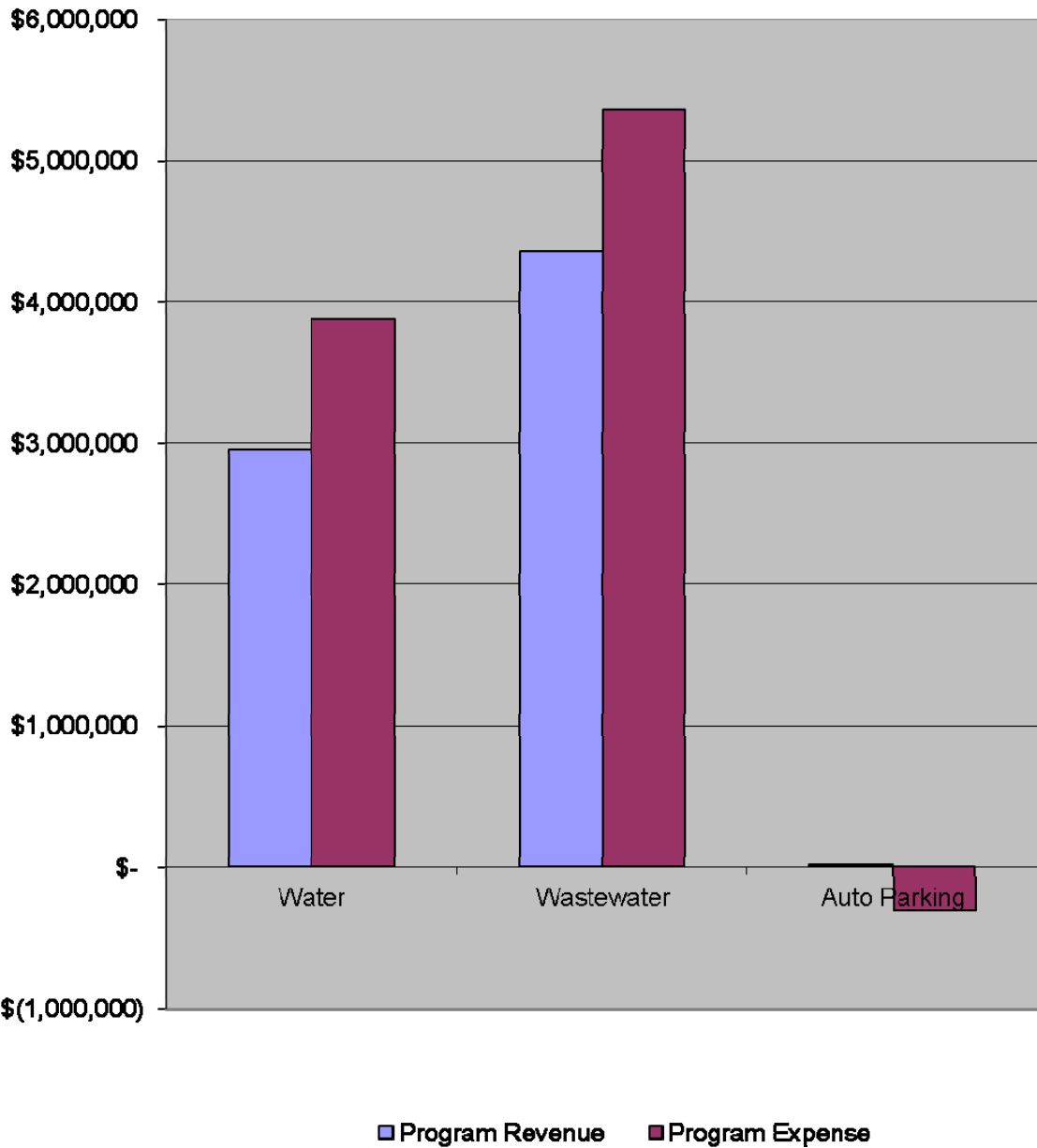
The Parking Fund had program revenues of \$15,079 and expenses of (\$305,591).

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

**Revenues by Source - Business-type Activities**



Expense and Program Revenues - Business-type Activities



## **THE CITY'S FUNDS**

The General Fund revenue was \$10.5 million, an increase of \$0.5 million from the prior year. The expenditures were \$9.3 million compared to \$8.8 million the prior year. The net transfers to other funds were \$.7 million compared to \$.8 million the prior year. The unassigned fund balance increased from \$2,123,976 to \$2,361,894, an increase of \$237,918 or 11%. In the prior year, the unassigned fund balance decreased from \$2,222,568 to \$2,123,976, a decrease of \$98,592 or 4.4%.

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 \$0.9 million, the expenditures were \$1.1 million and the net transfers out were \$0.3 million. The restricted fund balance decreased from \$1,109,199 to \$543,316. In the prior year, the restricted fund balance increased from \$1,071,510 to \$1,109,199, an increase of \$37,689.

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 \$0.2 million, the expenditures were \$0.2 million and the net transfers in were \$0.09 million. The assigned fund balance increased from \$680,461 to \$815,724, an increase of \$135,263 or 20%. In the prior year, the restricted fund balance decreased from \$1,220,087 to \$680,461, a decrease of \$539,626 or 44.2%

The Parks and Recreation Fund current year revenues were \$1.4 million, the expenditures were \$2.2 million and the net transfers in were \$0.5 million. The committed fund balance decreased from \$438,430 to \$149,383, a decrease of \$289,047 or 66%. In the prior year, the committed fund balance increased from \$326,202 to \$438,430, an increase of \$112,228 or 34%.

The Land Acquisition Fund current year revenues were \$0.4 million, the expenditures were \$0.06 million and the net transfers in were \$(0.1) million. The assigned fund balance increased from \$1,351,519 to \$1,557,867, an increase of \$206,348 or 15.3%. In the prior year, the assigned fund balance increased from \$1,060,151 to \$1,351,519, an increase of \$291,368 or 15.3%.

### **General Fund Budgetary Highlights**

The difference between the General Fund original and amended budgets were expenditure increases totaling \$33,712 or <1% of the total originally budgeted and detailed as follows:

- The City Clerk department had additional equipment maintenance expenditures
- The Income Tax department had additional expenditures related to accepting e-filed tax returns.



## **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, 2020 was \$81,796,595 (net of accumulated depreciation). This is a decrease of \$2,988,193 over the prior year amount of \$84,784,788. This investment in capital assets includes land, buildings, infrastructure systems and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City of Lapeer's investment in capital assets for the current fiscal year was 3.4% (a 4% decrease for governmental activities over the prior year amount of \$58.2 million and a 2% decrease for business-type activities over the prior year amount of \$28.7 million).

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

- Projects continued/completed included Genesee St/Davison Rd pedestrian trail (\$419,109), Millville road and water main improvements (\$519,328), DPW and City Hall roof replacement (\$58,770), sidewalk replacement (\$48,000), micro sealing (\$94,000) and Davison Rd improvements (\$728,663).
- Equipment purchases included 2019 Elgin Pelican Sweeper (\$200,000), Tasers (\$11,475), three police vehicles (\$98,000), 2019 Dodge Ram for the Fire department (\$35,000), 2019 crack seal machine (\$58,000), police in-car video equipment (\$18,000), Community Center pool improvements (\$44,000), and Crampton Park play structure (\$25,000).
- Dispositions included 2002 Elgin Pelican Sweeper, 371 Turrill Ave, 544 N. Saginaw St and various equipment.

### **Debt**

At year-end, the City of Lapeer's total bonded debt outstanding was at \$8.6 million versus \$9.5 million last year – a decrease of \$935,318 or 9.8% - as shown in Table 3.

Table 3 Outstanding Debt at Year- End (In Millions)	Government Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
General obligation bonds (backed by the City)	\$3.3	\$3.8	\$0.0	\$0.0	\$3.3	\$3.8
Special assessment bonds (with city commitment)	\$0.1	\$0.1	\$0.0	\$0.0	\$0.1	\$0.1
Revenue bonds and notes (backed by specific tax and fee revenues)	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$5.2</u>	<u>\$5.6</u>	<u>\$5.2</u>	<u>\$5.6</u>
Totals	<u>\$3.4</u>	<u>\$3.9</u>	<u>\$5.2</u>	<u>\$5.6</u>	<u>\$8.6</u>	<u>\$9.5</u>

The City retired three debt issues: 2010 Special Assessment Bond, 2010 General Obligation Bond, and 2016 Abstract Building Loan.

None of the component units had any outstanding debt as of the year ended 06/30/2020.

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 \$32.4 million state-imposed limit.

Other obligations include accrued vacation and sick leave of \$640,277. More detailed information about the City's long-term liabilities is presented in Note 10 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 2020-2021:

- The unemployment rate for the County of Lapeer was at 11.1% for June an increase of 5.7% from the prior year-end unemployment rate of 5.4%. The State of Michigan unemployment rate was 9.5%, and for the United States, it was 10.2%. The increase is a direct result of the economic downturn caused by the COVID-19 pandemic. Unemployment for the County reached a record high of 30.3% in April, 2020, and we have seen steady and significant improvements in the last several months.
- The impacts of the COVID-19 on taxable value are still unknown at this time. Home sales in the City have remained strong in spite of the general economic downturn. Other revenue likely to be impacted by COVID-19 are those that we receive from the State of Michigan related to sales tax and gasoline tax sharing. The most recent payments related to these items were not severely impacted as we had initially anticipated they would be.

The current year unassigned fund balance increased from \$2,123,976 to \$2,361,894, an increase of \$237,918 or 11%. In the prior year, the unassigned fund balance decreased from \$2,222,568 to \$2,123,976, a decrease of \$98,592.

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.

CITY OF LAPEER, MICHIGAN  
STATEMENT OF NET POSITION  
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total	Component Units
<b>Assets</b>				
Cash	\$ 5,299,615	\$ 4,763,889	\$ 10,063,504	\$ 1,933,329
Investments	1,380,271	1,896,447	3,276,718	-
Receivables				
Notes	-	-	-	180,000
Taxes	53,560	-	53,560	-
Income taxes	653,803	-	653,803	-
Accounts	209,335	709,466	918,801	-
Special assessments	79,950	-	79,950	-
Other units	7,709	-	7,709	-
Deposits	-	900	900	-
Due from				
State	250,665	-	250,665	-
Other governmental units	107,806	-	107,806	3,658
Internal balances	(761,413)	761,413	-	-
Prepaid items	113,321	33,482	146,803	-
Inventory	85,236	138,008	223,244	-
Land held for investment	1,520,675	579,595	2,100,270	-
<b>Noncurrent assets</b>				
Capital assets not being depreciated	23,693,458	1,228,130	24,921,588	375,174
Capital assets (net of accumulated depreciation)	30,583,503	26,291,504	56,875,007	2,637,203
<b>Total assets</b>	<b>63,277,494</b>	<b>36,402,834</b>	<b>99,680,328</b>	<b>5,129,364</b>
<b>Deferred outflows of resources</b>				
OPEB	662,926	222,156	885,082	-
Pension	1,412,194	281,084	1,693,278	-
<b>Total deferred outflows of resources</b>	<b>2,075,120</b>	<b>503,240</b>	<b>2,578,360</b>	<b>-</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables				
Accounts	\$ 446,954	\$ 1,728,210	\$ 2,175,164	\$ -
Payroll and payroll taxes	172,923	39,037	211,960	-
Due to other units	66,360	-	66,360	122,000
Accrued interest	15,468	32,573	48,041	-
Deposits payable	363,150	103,250	466,400	5,764
Bonds and notes payable	520,000	380,000	900,000	-
Accrued sick and vacation pay	256,545	21,802	278,347	-
<b>Noncurrent liabilities</b>				
Bonds and notes payable	2,860,000	4,831,650	7,691,650	-
Net Pension liability	7,417,968	1,476,478	8,894,446	-
Net OPEB liability	10,843,181	3,633,697	14,476,878	-
Accrued sick and vacation pay	312,843	49,087	361,930	-
<b>Total liabilities</b>	<b>23,275,392</b>	<b>12,295,784</b>	<b>35,571,176</b>	<b>127,764</b>
<b>Deferred inflows of resources</b>				
Pension	48,598	9,673	58,271	-
OPEB	3,149,953	1,055,591	4,205,544	-
<b>Total deferred inflows of resources</b>	<b>3,198,551</b>	<b>1,065,264</b>	<b>4,263,815</b>	<b>-</b>
<b>Net position</b>				
Net investment in capital assets	50,896,961	22,307,984	73,204,945	3,012,377
Restricted for				
Debt service	99,099	-	99,099	-
Unrestricted	(12,117,389)	1,237,042	(10,880,347)	1,989,223
<b>Total net position</b>	<b>\$ 38,878,671</b>	<b>\$ 23,545,026</b>	<b>\$ 62,423,697</b>	<b>\$ 5,001,600</b>

See accompanying notes to financial statements.

CITY OF LAPEER, MICHIGAN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Primary Government			
Governmental Activities			
General government	\$ 2,261,723	\$ 716,873	\$ 660,760
Public safety	4,273,499	472,065	48,703
Public works	277,820	-	-
Community development and enrichment	2,075,814	398,030	1,183,111
Highways and streets	2,706,734	-	1,087,215
Culture and recreation	2,266,210	713,130	403,845
Interest on long-term debt	101,622	-	-
Total Governmental Activities	<u>13,963,422</u>	<u>2,300,098</u>	<u>3,383,634</u>
Business-Type Activities			
Water	3,878,286	2,956,506	-
Wastewater	5,368,866	4,079,391	283,495
Auto parking	(305,591)	1,430	13,649
Total Business-Type Activities	<u>8,941,561</u>	<u>7,037,327</u>	<u>297,144</u>
Total Primary Government	<u>\$ 22,904,983</u>	<u>\$ 9,337,425</u>	<u>\$ 3,680,778</u>
Component Units			
Tax Increment Finance Authority	\$ 1,379,487	\$ -	\$ 82,585
Brownfield Redevelopment	1,148	-	352
Downtown Development Authority	321,124	-	55,000
Local Development Finance Authority	299,497	-	154,738
Economic Development Corporation	250	-	-
Total Component Units	<u>\$ 2,001,506</u>	<u>\$ -</u>	<u>\$ 292,675</u>
General Revenues			
Property taxes levied for general purposes			
Miscellaneous			
State revenue sharing			
Unrestricted investment earnings			
Transfers			
Total General Revenues and Transfers			
Change in Net Position			
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	
\$ -	\$ (884,090)	\$ -	\$ (884,090)	\$ -
-	(3,752,731)	-	(3,752,731)	-
-	(277,820)	-	(277,820)	-
-	(494,673)	-	(494,673)	-
-	(1,619,519)	-	(1,619,519)	-
-	(1,149,235)	-	(1,149,235)	-
-	(101,622)	-	(101,622)	-
-	(8,279,690)	-	(8,279,690)	-
-	-	(921,780)	(921,780)	-
-	-	(1,005,980)	(1,005,980)	-
-	-	320,670	320,670	-
-	-	(1,607,090)	(1,607,090)	-
\$ -	(8,279,690)	(1,607,090)	(9,886,780)	-
\$ -	-	-	-	(1,296,902)
-	-	-	-	(796)
-	-	-	-	(266,124)
-	-	-	-	(144,759)
-	-	-	-	(250)
\$ -	-	-	-	(1,708,831)
	7,027,312	-	7,027,312	1,589,627
	1,378,579	301,700	1,680,279	185,893
	809,058	-	809,058	-
	149,809	46,761	196,570	11,007
	(3,589,268)	3,589,268	-	-
	5,775,490	3,937,729	9,713,219	1,786,527
	(2,504,200)	2,330,639	(173,561)	77,696
	41,382,871	21,214,387	62,597,258	4,923,904
	\$ 38,878,671	\$ 23,545,026	\$ 62,423,697	\$ 5,001,600

CITY OF LAPEER, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

	GENERAL	MAJOR STREET	PARKS AND RECREATION
ASSETS			
Cash	\$ 2,161,220	\$ 167,429	\$ 207,610
Investments	902,645	247,100	-
Receivables			
Taxes	53,560	-	-
Income taxes	653,803	-	-
Accounts	162,178	26,332	18,337
Special assessments	-	77,185	-
Due from			
Other units	-	4,154	-
State	105,028	112,053	-
Other governmental units	85,806	-	-
Prepaid items	85,262	5,691	10,796
Inventory	38,966	-	-
Land held for investment	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	\$ <u>4,248,468</u>	\$ <u>639,944</u>	\$ <u>236,743</u>

See accompanying notes to financial statements.

2009 GENERAL OBLIGATION LIMITED TAX BOND	LAND ACQUISITION	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 546,079	\$ 1,506,341	\$ 4,588,679
-	230,526	-	1,380,271
-	-	-	53,560
-	-	-	653,803
-	-	1,360	208,207
-	-	2,765	79,950
-	-	3,555	7,709
-	-	33,584	250,665
-	22,000	-	107,806
-	-	7,137	108,886
-	-	-	38,966
-	1,520,675	-	1,520,675
<u>\$ -</u>	<u>\$ 2,319,280</u>	<u>\$ 1,554,742</u>	<u>\$ 8,999,177</u>



CITY OF LAPEER, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS - Concluded  
JUNE 30, 2020

	GENERAL	MAJOR STREET	PARKS AND RECREATION
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Payables			
Accounts	\$ 110,363	\$ 18,532	\$ 69,563
Payroll and payroll taxes	138,306	911	17,797
Due to			
Other units	66,360	-	-
Other funds	-	-	-
Deposits payable	<u>363,150</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>678,179</u>	<u>19,443</u>	<u>87,360</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable - special assessments	<u>-</u>	<u>77,185</u>	<u>-</u>
FUND BALANCE			
Nonspendable for prepaid expenses	85,262	5,691	10,796
Nonspendable for inventory	38,966	-	-
Restricted			
Roads	-	537,625	-
Cemetery perpetual care	-	-	-
Public safety	-	-	-
Debt service	-	-	-
Committed			
Cemetery perpetual care	-	-	-
Parks and recreation	-	-	138,587
Planning, zoning, building	-	-	-
Housing resource fund	-	-	-
Assigned			
Subsequent years budget	1,084,167	-	-
Capital projects funds	-	-	-
Cemetery operations	-	-	-
Unassigned	<u>2,361,894</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCE	<u>3,570,289</u>	<u>543,316</u>	<u>149,383</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 4,248,468</u>	<u>\$ 639,944</u>	<u>\$ 236,743</u>

See accompanying notes to financial statements.

2009 GENERAL OBLIGATION LIMITED TAX BOND	LAND ACQUISITION	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ -	\$ 210,623	\$ 409,081
-	-	10,846	167,860
-	-	-	66,360
-	761,413	-	761,413
-	-	-	363,150
<hr/>	<hr/>	<hr/>	<hr/>
-	761,413	221,469	1,767,864
<hr/>	<hr/>	<hr/>	<hr/>
-	-	2,765	79,950
<hr/>	<hr/>	<hr/>	<hr/>
-	-	7,137	108,886
-	-	-	38,966
-	-	812,139	1,349,764
-	-	71,387	71,387
-	-	105,651	105,651
-	-	99,099	99,099
-	-	10,781	10,781
-	-	82,974	221,561
-	-	41,570	41,570
-	-	39,194	39,194
-	-	-	1,084,167
-	1,557,867	60,104	1,617,971
-	-	472	472
-	-	-	2,361,894
<hr/>	<hr/>	<hr/>	<hr/>
-	1,557,867	1,330,508	7,151,363
<hr/>	<hr/>	<hr/>	<hr/>
\$ <hr/> <hr/> -	\$ <hr/> <hr/> 2,319,280	\$ <hr/> <hr/> 1,554,742	\$ <hr/> <hr/> 8,999,177

CITY OF LAPEER, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2020

Total fund balances - governmental funds	\$	7,151,363
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 \$91,340,410 and the accumulated depreciation is \$38,849,346.		
Internal service fund capital assets	\$	52,491,064
		<u>1,785,897</u>
		54,276,961
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.		
		719,833
Net pension liability is not due and payable in the current period and is not reported in the funds		
		(7,417,968)
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		
Deferred outflow related to pension	\$	1,412,194
Deferred inflows related to pension		<u>(48,598)</u>
		1,363,596
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.		
Total other postemployment benefit liability	\$	(10,843,181)
Deferred outflow related to OPEB		662,926
Deferred inflow related to OPEB		<u>(3,149,953)</u>
		(13,330,208)
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	\$	(15,468)
Bonds and notes payable		(3,380,000)
Compensated absences		<u>(569,388)</u>
		(3,964,856)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		<u>79,950</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u><u>38,878,671</u></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, 2020

	GENERAL	MAJOR STREET	PARKS AND RECREATION
REVENUES			
Taxes and special assessments	\$ 7,026,843	\$ 17,190	\$ -
Licenses and permits	227,798	-	-
Intergovernmental	1,043,183	843,673	251,385
Charges for services	1,188,938	-	713,130
Fines and forfeits	28,030	-	-
Interest and rentals	192,511	7,396	37,970
Contribution from component units	646,906	2,919	403,845
Other revenues	182,044	12,731	4,875
	<u>10,536,253</u>	<u>883,909</u>	<u>1,411,205</u>
TOTAL REVENUES			
EXPENDITURES			
General government	3,227,689	-	-
Public safety	4,301,860	-	-
Public works	1,010,238	-	-
Culture and recreation	-	-	2,190,252
Public services	-	-	-
Community development and enrichment	740,678	-	-
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Highways and streets	-	1,140,514	-
Capital outlay	-	-	-
	<u>9,280,465</u>	<u>1,140,514</u>	<u>2,190,252</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,255,788</u>	<u>(256,605)</u>	<u>(779,047)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	280,952	-	500,000
Operating transfers out	(949,968)	(309,278)	(10,000)
	<u>(669,016)</u>	<u>(309,278)</u>	<u>490,000</u>
TOTAL OTHER FINANCING SOURCES (USES)			
Change in fund balance	586,772	(565,883)	(289,047)
FUND BALANCE, JULY 1	<u>2,983,517</u>	<u>1,109,199</u>	<u>438,430</u>
FUND BALANCE, JUNE 30	<u>\$ 3,570,289</u>	<u>\$ 543,316</u>	<u>\$ 149,383</u>

See accompanying notes to financial statements.

2009 GENERAL OBLIGATION LIMITED TAX BOND	LAND ACQUISITION	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ -	\$ 12,969	\$ 7,057,002
-	-	-	227,798
-	-	1,220,616	3,358,857
-	-	398,030	2,300,098
-	-	-	28,030
16,547	15,822	17,130	287,376
-	-	31,550	1,085,220
-	355,116	69,393	624,159
<u>16,547</u>	<u>370,938</u>	<u>1,749,688</u>	<u>14,968,540</u>
-	52,300	9,857	3,289,846
-	-	36,290	4,338,150
-	-	-	1,010,238
-	-	-	2,190,252
-	-	134,507	134,507
-	-	1,335,136	2,075,814
-	-	565,000	565,000
-	-	107,969	107,969
-	-	201,606	1,342,120
-	10,500	121,172	131,672
<u>-</u>	<u>62,800</u>	<u>2,511,537</u>	<u>15,185,568</u>
<u>16,547</u>	<u>308,138</u>	<u>(761,849)</u>	<u>(217,028)</u>
-	-	929,528	1,710,480
(3,743,705)	(101,790)	(95,007)	(5,209,748)
<u>(3,743,705)</u>	<u>(101,790)</u>	<u>834,521</u>	<u>(3,499,268)</u>
(3,727,158)	206,348	72,672	(3,716,296)
<u>3,727,158</u>	<u>1,351,519</u>	<u>1,257,836</u>	<u>10,867,659</u>
\$ <u>-</u>	\$ <u>1,557,867</u>	\$ <u>1,330,508</u>	\$ <u>7,151,363</u>

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, 2020

Net changes in fund balances - total governmental funds	\$	(3,716,296)
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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		2,032,515
Other changes in capital assets		(1,444,074)
Less: current year depreciation		(2,983,719)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(29,690)
--	--	----------

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.

Accrued interest		6,437
Principal payments		565,318

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		(124,617)
--	--	-----------

Change in pension and OPEB 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

Pension		(209,144)
OPEB		3,168,481

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.

		230,589
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	(2,504,200)
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See accompanying notes to financial statements.

CITY OF LAPEER, MICHIGAN  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 271,417	\$ 1,329,025
Investments	-	561,045
Accounts receivable	-	511,788
Deposits	-	900
Inventory	-	-
Prepaid items	-	23,128
Land held for investment	-	579,595
Due from State	-	-
Due from other funds	-	761,413
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	271,417	3,766,894
	<hr/>	<hr/>
CAPITAL ASSETS		
Construction in progress	-	-
Land and improvements	1,292,914	673,517
Buildings and structures	-	19,444,057
Infrastructure	-	11,661,357
Vehicles and equipment	-	3,181,598
	<hr/>	<hr/>
	1,292,914	34,960,529
Less: accumulated depreciation	661,648	15,944,158
	<hr/>	<hr/>
NET CAPITAL ASSETS	631,266	19,016,371
	<hr/>	<hr/>
TOTAL ASSETS	902,683	22,783,265
	<hr/>	<hr/>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	16,763	166,788
OPEB	9,736	137,188
	<hr/>	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	26,499	303,976
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 929,182	\$ 23,087,241
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
WATER SUPPLY	TOTAL		INTERNAL SERVICE FUNDS	
	2020	2019	2020	2019
\$ 3,163,447	\$ 4,763,889	\$ 663,090	\$ 710,936	\$ 484,755
1,335,402	1,896,447	376,025	-	-
197,678	709,466	641,262	1,128	-
-	900	900	-	-
138,008	138,008	136,217	46,270	43,694
10,354	33,482	28,547	4,435	4,457
-	579,595	579,595	-	-
-	-	631,311	-	-
-	761,413	1,951,845	-	-
<u>4,844,889</u>	<u>8,883,200</u>	<u>5,008,792</u>	<u>762,769</u>	<u>532,906</u>
429,916	429,916	-	-	-
111,461	2,077,892	2,070,675	37,958	32,198
228,512	19,672,569	19,672,569	-	-
13,109,640	24,770,997	24,629,717	-	-
294,945	3,476,543	3,451,047	4,583,141	4,309,690
<u>14,174,474</u>	<u>50,427,917</u>	<u>49,824,008</u>	<u>4,621,099</u>	<u>4,341,888</u>
<u>6,302,477</u>	<u>22,908,283</u>	<u>21,711,459</u>	<u>2,835,202</u>	<u>2,689,274</u>
<u>7,871,997</u>	<u>27,519,634</u>	<u>28,112,549</u>	<u>1,785,897</u>	<u>1,652,614</u>
<u>12,716,886</u>	<u>36,402,834</u>	<u>33,121,341</u>	<u>2,548,666</u>	<u>2,185,520</u>
97,533	281,084	457,748	-	-
75,232	222,156	129,001	-	-
<u>172,765</u>	<u>503,240</u>	<u>586,749</u>	<u>-</u>	<u>-</u>
<u>\$ 12,889,651</u>	<u>\$ 36,906,074</u>	<u>\$ 33,708,090</u>	<u>\$ 2,548,666</u>	<u>\$ 2,185,520</u>



CITY OF LAPEER, MICHIGAN  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS - Concluded  
JUNE 30, 2020  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 1,058,913
Accrued payroll and related items	-	21,112
Accrued interest	-	32,573
Performance bonds payable	-	-
Accrued vacation	-	13,673
Bonds payable	-	380,000
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	-	1,506,271
	<hr/>	<hr/>
LONG-TERM LIABILITIES		
Net OPEB liability	159,246	2,243,916
Net pension liability	88,055	876,103
Accrued vacation	-	36,345
Bonds payable	-	4,831,650
	<hr/>	<hr/>
TOTAL LONG-TERM LIABILITIES	247,301	7,988,014
	<hr/>	<hr/>
TOTAL LIABILITIES	247,301	9,494,285
	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
OPEB	46,261	651,859
Pension	577	5,740
	<hr/>	<hr/>
TOTAL DEFERRED INFLOWS OF RESOURCES	46,838	657,599
	<hr/>	<hr/>
NET POSITION		
Net investment in capital assets	631,266	13,804,721
Unrestricted	3,777	(869,364)
	<hr/>	<hr/>
TOTAL NET POSITION	635,043	12,935,357
	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ <u>929,182</u>	\$ <u>23,087,241</u>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES		
WATER SUPPLY	TOTAL		INTERNAL SERVICE FUNDS		
	2020	2019	2020	2019	
\$ 669,297	\$ 1,728,210	\$ 561,948	\$ 37,873	\$ 40,071	
17,925	39,037	58,673	5,063	3,591	
-	32,573	-	-	-	
103,250	103,250	4,500	-	-	
8,129	21,802	33,651	-	-	
-	380,000	370,000	-	-	
<u>798,601</u>	<u>2,304,872</u>	<u>1,028,772</u>	<u>42,936</u>	<u>43,662</u>	
1,230,535	3,633,697	2,905,505	-	-	
512,320	1,476,478	1,916,362	-	-	
12,742	49,087	-	-	-	
-	4,831,650	5,211,650	-	-	
<u>1,755,597</u>	<u>9,990,912</u>	<u>10,033,517</u>	<u>-</u>	<u>-</u>	
<u>2,554,198</u>	<u>12,295,784</u>	<u>11,062,289</u>	<u>42,936</u>	<u>43,662</u>	
357,471	1,055,591	1,407,649	-	-	
3,356	9,673	23,765	-	-	
<u>360,827</u>	<u>1,065,264</u>	<u>1,431,414</u>	<u>-</u>	<u>-</u>	
7,871,997	22,307,984	22,530,899	1,785,897	1,652,614	
2,102,629	1,237,042	(1,316,512)	719,833	489,244	
<u>9,974,626</u>	<u>23,545,026</u>	<u>21,214,387</u>	<u>2,505,730</u>	<u>2,141,858</u>	
<u>\$ 12,889,651</u>	<u>\$ 36,906,074</u>	<u>\$ 33,708,090</u>	<u>\$ 2,548,666</u>	<u>\$ 2,185,520</u>	

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
OPERATING REVENUES		
Charges for services	\$ 1,430	\$ 4,079,391
Miscellaneous	-	293,047
Intergovernmental	13,649	283,495
Equipment rentals	-	-
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	15,079	4,655,933
	<hr/>	<hr/>
OPERATING EXPENSES		
Salaries and wages	3,917	569,123
Fringe benefits	20,252	638,149
Fringe benefits - OPEB and pension changes	(360,410)	(308,701)
Office supplies	-	13,031
Operating supplies	2,135	154,749
Administrative fees	-	275,753
Professional and contractual services	-	258,183
Printing	-	2,527
Insurance and bonds	-	34,363
Public utilities	-	187,395
Repairs and maintenance	-	142,766
Rentals	5,845	358,887
Miscellaneous	-	5,472
Property taxes	-	109,563
Special assessment	-	-
Depreciation	22,670	896,864
Operating maintenance	-	1,856,460
Conferences	-	6,793
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	(305,591)	5,201,377
	<hr/>	<hr/>
OPERATING INCOME (LOSS)	320,670	(545,444)
	<hr/>	<hr/>
NONOPERATING REVENUES (EXPENSES)		
Interest earned	2,469	10,899
Miscellaneous	-	-
Gain on sale of capital assets	-	-
Interest expense	-	(167,489)
	<hr/>	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES)	2,469	(156,590)
	<hr/>	<hr/>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
WATER SUPPLY	TOTAL			
2020	2019		2020	2019
\$ 2,956,506	\$ 7,037,327	\$ 7,358,133	\$ -	\$ -
8,653	301,700	17,447	-	-
-	297,144	1,616,916	-	-
-	-	-	1,448,952	1,096,183
<u>2,965,159</u>	<u>7,636,171</u>	<u>8,992,496</u>	<u>1,448,952</u>	<u>1,096,183</u>
342,915	915,955	842,886	132,074	125,931
304,083	962,484	839,058	130,752	124,732
674,778	5,667	(706,298)	-	-
18,054	31,085	25,243	1,358	1,068
1,656,625	1,813,509	1,645,631	225,448	240,258
285,843	561,596	540,104	23,381	23,941
34,036	292,219	169,601	11,651	10,538
2,279	4,806	3,847	-	-
5,562	39,925	46,233	58,618	55,239
23,103	210,498	215,004	26,357	27,276
71,972	214,738	116,652	79,796	99,080
113,833	478,565	235,904	4,492	5,573
2,355	7,827	18,360	2,680	2,033
49,412	158,975	160,231	-	-
-	-	598,400	-	-
282,475	1,202,009	1,102,165	286,729	281,949
1,860	1,858,320	1,751,757	43,226	39,515
9,101	15,894	6,081	-	755
<u>3,878,286</u>	<u>8,774,072</u>	<u>7,610,859</u>	<u>1,026,562</u>	<u>1,037,888</u>
<u>(913,127)</u>	<u>(1,137,901)</u>	<u>1,381,637</u>	<u>422,390</u>	<u>58,295</u>
33,393	46,761	12,858	4,979	4,192
-	-	-	8,155	-
-	-	-	18,348	5,559
-	(167,489)	(144,041)	-	-
<u>33,393</u>	<u>(120,728)</u>	<u>(131,183)</u>	<u>31,482</u>	<u>9,751</u>

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS - Concluded

FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
INCOME (LOSS) BEFORE OPERATING TRANSFERS	\$ 323,139	\$ (702,034)
OPERATING TRANSFERS		
Operating transfers in	69,340	1,325,766
Operating transfers out	<u>-</u>	<u>(204,354)</u>
Change in net position	392,479	419,378
NET POSITION, JULY 1	242,564	12,515,979
ADD DEPRECIATION OF CAPITAL ASSETS ACQUIRED BY GRANTS, ENTITLEMENTS AND SHARED REVENUE EXTERNALLY RESTRICTED FOR CAPITAL ACQUISITIONS AND CONSTRUCTION THAT REDUCES CONTRIBUTED CAPITAL	<u>-</u>	<u>-</u>
NET POSITION, JUNE 30	<u>\$ 635,043</u>	<u>\$ 12,935,357</u>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
WATER SUPPLY	2020	TOTAL 2019	INTERNAL SERVICE FUNDS 2020	2019
\$ (879,734)	\$ (1,258,629)	\$ 1,250,454	\$ 453,872	\$ 68,046
2,456,925	3,852,031	82,960	10,000	10,000
(58,409)	(262,763)	(456,786)	(100,000)	(100,000)
1,518,782	2,330,639	876,628	363,872	(21,954)
8,455,844	21,214,387	20,280,372	2,141,858	2,163,812
-	-	57,387	-	-
\$ 9,974,626	\$ 23,545,026	\$ 21,214,387	\$ 2,505,730	\$ 2,141,858

CITY OF LAPEER, MICHIGAN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTEWATER TREATMENT PLANT
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,430	\$ 4,885,626
Cash received from intergovernmental activity	13,649	370,468
Cash received from interfund charges	-	-
Cash payment for goods and services	(7,980)	(2,644,014)
Cash payment for employees	(24,174)	(1,207,272)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(17,075)	1,404,808
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in	69,340	1,325,766
Operating transfers out	-	(204,354)
NET CASH PROVIDED BY (USED IN) NON- CAPITAL FINANCING ACTIVITIES	69,340	1,121,412
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment for capital acquisitions	-	(167,883)
Principal payments	-	(370,000)
Sale of capital assets	-	-
Miscellaneous other income	-	-
Interest and fiscal charges paid	-	(134,916)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	-	(672,799)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,469	10,899
(Increase) decrease in investments	-	(561,045)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2,469	(550,146)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,734	1,303,275
CASH AND CASH EQUIVALENTS, JULY 1	216,683	25,750
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 271,417	\$ 1,329,025

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
WATER SUPPLY	TOTAL		INTERNAL SERVICE FUNDS	
	2020	2019	2020	2019
\$ 3,015,078	\$ 7,902,134	\$ 7,214,744	\$ -	\$ -
1,103,459	1,487,576	985,605	-	-
-	-	-	1,444,517	1,101,848
(1,765,843)	(4,417,837)	(5,426,356)	(478,454)	(514,494)
(641,224)	(1,872,670)	(1,338,758)	(261,354)	(250,471)
<u>1,711,470</u>	<u>3,099,203</u>	<u>1,435,235</u>	<u>704,709</u>	<u>336,883</u>
2,456,925	3,852,031	82,960	10,000	10,000
(58,409)	(262,763)	(456,786)	(100,000)	(100,000)
<u>2,398,516</u>	<u>3,589,268</u>	<u>(373,826)</u>	<u>(90,000)</u>	<u>(90,000)</u>
(441,212)	(609,095)	(1,919,482)	(420,010)	(197,729)
-	(370,000)	(360,000)	-	-
-	-	-	18,348	5,559
-	-	-	8,155	13,571
-	(134,916)	(144,041)	-	-
<u>(441,212)</u>	<u>(1,114,011)</u>	<u>(2,423,523)</u>	<u>(393,507)</u>	<u>(178,599)</u>
33,393	46,761	12,858	4,979	4,192
(959,377)	(1,520,422)	264,473	-	-
(925,984)	(1,473,661)	277,331	4,979	4,192
2,742,790	4,100,799	(1,084,783)	226,181	72,476
420,657	663,090	1,747,873	484,755	412,279
<u>\$ 3,163,447</u>	<u>\$ 4,763,889</u>	<u>\$ 663,090</u>	<u>\$ 710,936</u>	<u>\$ 484,755</u>



CITY OF LAPEER, MICHIGAN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS - Concluded  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	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)	\$ <u>320,670</u>	\$ <u>(545,444)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	22,670	896,864
Retiree health insurance and pension	(360,410)	(308,701)
(Increase) decrease in inventory	-	-
(Increase) decrease in accounts receivable	-	(118,123)
(Increase) decrease in prepaid expenses	-	(4,795)
(Increase) decrease in due from other funds	-	86,973
(Increase) decrease in due from other units	-	631,311
Increase (decrease) in accounts payable	-	743,341
Increase (decrease) in accrued expenses	(5)	23,382
Increase (decrease) in performance bonds payable	-	-
Total adjustments	<u>(337,745)</u>	<u>1,950,252</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ <u><u>(17,075)</u></u>	\$ <u><u>1,404,808</u></u>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
WATER SUPPLY	TOTAL		INTERNAL SERVICE FUNDS	
	2020	2019	2020	2019
\$ <u>(913,127)</u>	\$ <u>(1,137,901)</u>	\$ <u>1,381,637</u>	\$ <u>422,390</u>	\$ <u>58,295</u>
282,475	1,202,009	1,102,165	286,729	281,949
674,778	5,667	(706,298)	-	-
(1,791)	(1,791)	(5,181)	(2,576)	(4,004)
49,919	(68,204)	90,247	(1,128)	5,665
(140)	(4,935)	3,849	20	5,837
1,103,459	1,190,432	196,170	-	-
-	631,311	(631,311)	-	-
422,921	1,166,262	(3,800)	(2,198)	(11,051)
(5,774)	17,603	6,837	1,472	192
98,750	98,750	920	-	-
<u>2,624,597</u>	<u>4,237,104</u>	<u>53,598</u>	<u>282,319</u>	<u>278,588</u>
\$ <u><u>1,711,470</u></u>	\$ <u><u>3,099,203</u></u>	\$ <u><u>1,435,235</u></u>	\$ <u><u>704,709</u></u>	\$ <u><u>336,883</u></u>

CITY OF LAPEER, MICHIGAN  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020

	Postemployment Benefits - Retiree Health Care Benefits Trust Fund	Agency Funds
<b>Assets</b>		
Cash	\$ 221,684	\$ -
MERS Retiree Healthcare Funding Vehicle	1,919,269	-
Accounts receivable	-	7,709
Prepaid expenses	<u>23,304</u>	<u>-</u>
Total assets	<u>2,164,257</u>	<u>\$ 7,709</u>
<b>Liabilities</b>		
Accounts payable	-	\$ 7,709
Healthcare obligations	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>\$ 7,709</u>
<b>Net position</b>		
Held in trust for other postemployment benefits	<u>\$ 2,164,257</u>	

See accompanying notes to financial statements.

CITY OF LAPEER, MICHIGAN  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020

	Postemployment Benefits - Retiree Health Care Benefits
	Trust Fund
ADDITIONS	
Net change in fair value	\$ 45,131
Employer	<u>828,786</u>
Net additions	<u>873,917</u>
DEDUCTIONS	
Benefit payments	633,674
Administrative expenses and other	<u>3,940</u>
Total deductions	<u>637,614</u>
CHANGE IN NET POSITION	236,303
NET POSITION, JULY 1	<u>1,927,954</u>
NET POSITION, JUNE 30	<u><u>\$ 2,164,257</u></u>

See accompanying notes to financial statements.

CITY OF LAPEER, MICHIGAN  
STATEMENT OF NET POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
JUNE 30, 2020

	DOWNTOWN DEVELOPMENT AUTHORITY	BROWNFIELD REDEVELOPMENT
ASSETS		
Cash	\$ 89,653	\$ 2,628
Note receivable	-	-
Due from other governmental units	1,474	-
Capital assets not being depreciated	154,000	-
Capital assets (net of accumulated depreciation)	<u>484,911</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 730,038</u></u>	<u><u>\$ 2,628</u></u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Security deposits payable	\$ -	\$ -
Due to primary government	<u>22,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>22,000</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	638,911	-
Unrestricted	<u>69,127</u>	<u>2,628</u>
TOTAL NET POSITION	<u>708,038</u>	<u>2,628</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 730,038</u></u>	<u><u>\$ 2,628</u></u>

See accompanying notes to financial statements.

TAX INCREMENT FINANCE AUTHORITY	ECONOMIC DEVELOPMENT CORPORATION	LOCAL DEVELOPMENT FINANCE AUTHORITY	TOTAL
\$ 1,424,868	\$ 3,819	\$ 412,361	\$ 1,933,329
180,000	-	-	180,000
2,184	-	-	3,658
14,400	-	206,774	375,174
<u>2,152,292</u>	<u>-</u>	<u>-</u>	<u>2,637,203</u>
\$ <u><u>3,773,744</u></u>	\$ <u><u>3,819</u></u>	\$ <u><u>619,135</u></u>	\$ <u><u>5,129,364</u></u>
\$ 5,764	\$ -	\$ -	\$ 5,764
<u>-</u>	<u>-</u>	<u>100,000</u>	<u>122,000</u>
<u>5,764</u>	<u>-</u>	<u>100,000</u>	<u>127,764</u>
2,166,692	-	206,774	3,012,377
<u>1,601,288</u>	<u>3,819</u>	<u>312,361</u>	<u>1,989,223</u>
<u>3,767,980</u>	<u>3,819</u>	<u>519,135</u>	<u>5,001,600</u>
\$ <u><u>3,773,744</u></u>	\$ <u><u>3,819</u></u>	\$ <u><u>619,135</u></u>	\$ <u><u>5,129,364</u></u>

CITY OF LAPEER, MICHIGAN  
STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2020

		PROGRAM REVENUES	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Component Units			
Tax Increment Finance Authority	\$ 1,379,487	\$ -	\$ 82,585
Brownfield Redevelopment	1,148	-	352
Downtown Development Authority	321,124	-	55,000
Local Development Finance Authority	299,497	-	154,738
Economic Development Corporation	250	-	-
Total Component Units	\$ <u>2,001,506</u>	\$ <u>-</u>	\$ <u>292,675</u>
General Revenues			
Property taxes and state reimbursement			
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
\$ -	\$ -	\$ (1,296,902)	\$ -	\$ -	\$ (1,296,902)
-	(796)	-	-	-	(796)
(266,124)	-	-	-	-	(266,124)
-	-	-	-	(144,759)	(144,759)
-	-	-	(250)	-	(250)
<u>(266,124)</u>	<u>(796)</u>	<u>(1,296,902)</u>	<u>(250)</u>	<u>(144,759)</u>	<u>(1,708,831)</u>
105,671	2,715	1,288,460	-	192,781	1,589,627
134,481	-	51,412	-	-	185,893
191	-	10,413	1	402	11,007
<u>240,343</u>	<u>2,715</u>	<u>1,350,285</u>	<u>1</u>	<u>193,183</u>	<u>1,786,527</u>
(25,781)	1,919	53,383	(249)	48,424	77,696
<u>733,819</u>	<u>709</u>	<u>3,714,597</u>	<u>4,068</u>	<u>470,711</u>	<u>4,923,904</u>
<u>\$ 708,038</u>	<u>\$ 2,628</u>	<u>\$ 3,767,980</u>	<u>\$ 3,819</u>	<u>\$ 519,135</u>	<u>\$ 5,001,600</u>



**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 are included in this report. 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 basic 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.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the 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.

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

Government-Wide and Fund Financial Statements - Concluded

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

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

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

The City of Lapeer reports the following major proprietary funds:

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

The Water Supply 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.

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 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 and are expensed as used.

The inventory of supplies held by the Water Supply System, Motor Pool, and General fund as of June 30, 2020 were determined by physical count and valued at cost and are expensed as used.

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. The straight-line depreciation method is applied over the estimated useful life of capital 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 expense/expenditures in the year the related debt is issued.

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 2019 reflected in the accompanying financial statements include property taxes levied July 1, 2019, and substantially collected at June 30, 2020.

The total 2019 levy for the City was \$2,685,613 which was based upon the taxable value as of March 1, 2019 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 per \$100 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, 2020, was \$0.98 per \$100, 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 19-20:

General Governmental Services	8.8
Local Street	.5
Capital Improvement Fund	.5
	<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, 2020, to the extent that it is to be liquidated with expendable available financial resources within the current operating cycle based on retirement or resignation. Vacation and sick leave earned as of June 30, 2020, but not liquidated within the current operating cycle is recorded as a general long-term obligation and is reported on the government wide and proprietary fund financial statements. 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.

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

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, 2020 are as follows:

Wastewater	\$ <u>761,413</u>	Land Acquisition	\$ <u>761,413</u>
Reconciliation to Statements			
	Due from		Due to
Government funds	\$ -		\$ 761,413
Proprietary funds			
Business-type	<u>761,413</u>		<u>-</u>
Government wide total	\$ <u>761,413</u>		\$ <u>761,413</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, 2020:

Fund	Transfers in	Fund	Transfers Out
Local Street	\$ 130,776	General	\$ 949,968
Park	500,000		-
Cemetery	101,000		-
Police K-9	2,515		-
School Liaison	3,000		-
2013 General Obligation Bond	12,561		-
Capital Improvement	130,776		-
Parking	69,340		-
Subtotal	<u>949,968</u>	Subtotal	<u>949,968</u>
Cemetery	<u>131</u>	Cemetery Perpetual Care	<u>131</u>
General	9,418	Major Street	309,278
2017 General Obligation Bond	180,172		-
2010 General Obligation Bond	25,380		-
2015 General Obligation Bond	85,235		-
2010 Special Assessment Bond	9,073		-
Subtotal	<u>309,278</u>	Subtotal	<u>309,278</u>
General	\$ 9,418	Local Street	\$ 58,298
2017 General Obligation Bond	12,938		-
2015 General Obligation Bond	35,942		-
Subtotal	<u>58,298</u>	Subtotal	<u>58,298</u>
Motor Pool	<u>10,000</u>	Park Fund	<u>10,000</u>
General	121,936	Site Plan	8,000
	-	Housing Resource	10,000
	-	2008 Equipment Financing	3,936
	-	Information Technology	85,000
	-	Telephone	15,000
Subtotal	<u>121,936</u>	Subtotal	<u>121,936</u>
Wastewater	1,308,799	2009 General Obligation Bond	3,743,705
Water	2,434,906		-
Subtotal	<u>3,743,705</u>	Subtotal	<u>3,743,705</u>
General	140,180	Wastewater	204,354
2015 General Obligation Bond	41,027		-
2015 General Obligation Bond	23,147		-
Subtotal	<u>204,354</u>	Subtotal	<u>204,354</u>
2013 General Obligation Bond	62,804	Land Acquisition	101,790
Wastewater	16,967		-
Water	22,019		-
Subtotal	<u>101,790</u>		<u>101,790</u>



**NOTE 6: OPERATING TRANSFERS – Concluded**

2015 General Obligation Bond	<u>58,409</u>	Water	<u>58,409</u>
2008 General Obligation Bond	<u>14,642</u>	2009 General Obligation Bond	<u>14,642</u>
Total	<u>\$5,572,511</u>	Total	<u>\$5,572,511</u>

Reconciliation to Statements

	Transfers In	Transfers Out
Governmental funds	\$ 1,710,480	\$5,209,748
Proprietary funds		
Business-type	3,852,031	262,763
Internal service	<u>10,000</u>	<u>100,000</u>
Total	<u>\$5,572,511</u>	<u>\$5,572,511</u>

These transfers were made for cash flow purposes.

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

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.

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

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, 2020, the carrying amount of the City's deposits was \$17,414,504 and the bank balance was \$17,829,067 of which \$774,364 was covered by federal depository insurance. The remaining balance of \$17,054,703 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, 2020, 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.

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.

Reconciliation to Statements

Fund	Cash	Investments	Total
Governmental funds	\$ 4,588,679	\$ 1,380,271	\$ 5,968,950
Proprietary funds			
Enterprise	4,763,889	1,896,447	6,660,336
Internal service	710,936	-	710,936
Fiduciary funds	221,684	1,919,269	2,140,953
Component units	<u>1,933,329</u>	<u>-</u>	<u>1,933,329</u>
	<u>\$ 12,218,517</u>	<u>\$ 5,195,987</u>	<u>\$ 17,414,504</u>

**NOTE 8: 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, 2020 was \$1,520,675 in the governmental activities and \$579,595 in the wastewater fund.

**NOTE 9: CAPITAL ASSETS**

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

	July 01, 2019	Additions	Deletions	June 30, 2020
Governmental				
Capital assets not being depreciated				
Construction in progress	\$ 101,953	\$ 1,229,085	\$ 741,741	\$ 589,297
Land	<u>24,428,647</u>	<u>-</u>	<u>1,324,486</u>	<u>23,104,161</u>
Total capital assets not being depreciated	<u>24,530,600</u>	<u>1,229,085</u>	<u>2,066,227</u>	<u>23,693,458</u>
Capital assets being depreciated				
Buildings	6,047,617	10,500	50,233	6,007,884
Improvements	5,820,511	175,099	-	5,995,610
Machinery and equipment	9,007,271	489,149	316,455	9,179,965
Infrastructure	<u>50,214,169</u>	<u>870,422</u>	<u>-</u>	<u>51,084,591</u>
Total capital assets being depreciated	<u>71,089,568</u>	<u>1,545,170</u>	<u>366,688</u>	<u>72,268,050</u>
Total accumulated depreciation	<u>38,947,929</u>	<u>2,983,719</u>	<u>247,101</u>	<u>41,684,547</u>
Total capital assets being depreciated - net	<u>32,141,639</u>	<u>(1,438,549)</u>	<u>( 119,587)</u>	<u>30,583,503</u>
Net Capital Assets	<u>\$56,672,239</u>	<u>\$(- 209,464)</u>	<u>\$2,185,814</u>	<u>\$54,276,961</u>

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

Governmental Activity	Amount
General government	\$ 363,857
Public safety	175,465
Public works	38,854
Streets	2,224,900
Recreation	<u>180,643</u>
Total Depreciation Expense Governmental Activities	<u>\$2,983,719</u>

CITY OF LAPEER, MICHIGAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 9: CAPITAL ASSETS - Continued**

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

Component Units	July 01, 2019	Additions	Deletions	June 30, 2020
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>4,629,331</u>	<u>190,018</u>	<u>-</u>	<u>4,819,349</u>
Total capital assets being depreciated	<u>2,827,221</u>	<u>( 190,018)</u>	<u>-</u>	<u>2,637,203</u>
Net Capital Assets	<u>\$3,202,395</u>	<u>\$ ( 190,018 )</u>	<u>\$ -</u>	<u>\$ 3,012,377</u>

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

Governmental Activity	Amount
Downtown Development Authority	\$ 24,069
Tax Increment Finance Authorities #1, #2, #3	<u>165,949</u>
Total Depreciation Expense Governmental Activities	<u>\$ 190,018</u>

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

	July 01, 2019	Additions	Deletions	June 30, 2020
Business-Type Activities				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 429,916	\$ -	\$ 429,916
Land	<u>798,214</u>	<u>-</u>	<u>-</u>	<u>798,214</u>
Total capital assets not being depreciated	<u>798,214</u>	<u>429,916</u>	<u>-</u>	<u>1,228,130</u>
Capital assets being depreciated				
Buildings	19,672,569	-	-	19,672,569
Machinery and equipment	3,451,047	25,495	-	3,476,543
Infrastructure	24,629,717	141,279	-	24,770,996
Improvements	<u>1,272,461</u>	<u>12,404</u>	<u>5,186</u>	<u>1,279,678</u>
Total capital assets being depreciated	<u>49,025,794</u>	<u>179,178</u>	<u>5,186</u>	<u>49,199,786</u>
Total accumulated depreciation	<u>21,711,459</u>	<u>1,202,009</u>	<u>5,186</u>	<u>22,908,282</u>
Total capital assets being depreciated	<u>27,314,335</u>	<u>( 1,022,831)</u>	<u>-</u>	<u>26,291,504</u>
Net Capital Assets	<u>\$28,112,549</u>	<u>\$ ( 592,915)</u>	<u>\$ -</u>	<u>\$27,519,634</u>

**NOTE 9: CAPITAL ASSETS - Concluded**

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

Business-type activities	Amount
Auto Parking	\$22,670
Wastewater	896,864
Water	<u>282,475</u>
Total Depreciation Expense Business-Type Activities	<u>\$ 1,202,009</u>

**NOTE 10: 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, 2020:

	Water and Sewer Revenue Bonds	General Obligation Bonds	Direct Borrowing Notes Payable	Compensated Absences
As of July 01, 2019	\$ 5,581,650	\$ 3,945,000	\$ 318	\$ 478,422
Additions (Reductions)	( <u>370,000</u> )	( <u>565,000</u> )	( <u>318</u> )	<u>161,855</u>
As of June 30, 2020	<u>\$ 5,211,650</u>	<u>\$ 3,380,000</u>	<u>\$ -</u>	<u>\$ 640,277</u>

Long-term debt at June 30, 2020 is comprised of the individual issues:

	Balance as of July 01, 2019	Additions	Deductions	Balance as of June 30, 2020	Due Within One Year
<b>Business-Type Activities</b>					
\$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%.	\$ 5,581,650	\$ -	\$ ( 370,000 )	\$ 5,211,650	\$ 380,000
Accumulated compensated absences	<u>33,651</u>	<u>37,238</u>	<u>-</u>	<u>70,889</u>	<u>21,082</u>
Total business-type activities	<u>\$ 5,615,301</u>	<u>\$ 37,238</u>	<u>\$ ( 370,000 )</u>	5,282,539	<u>\$ 401,082</u>
Less: Amount payable within one year				<u>429,087</u>	
Total Long-Term Debt Business-Type Activities				<u>\$ 4,853,452</u>	

Long-term debt at June 30, 2020 is comprised of the individual issues:

CITY OF LAPEER, MICHIGAN  
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JUNE 30, 2020

**NOTE 10: LONG-TERM OBLIGATIONS - Continued**

	Balance as of July 01, 2019	Additions	Deductions	Balance as of June 30, 2020	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%	\$ 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%	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%; Secured by equipment.	318		( 318)	-	-
\$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%	1,585,000		( 160,000)	1,425,000	165,000
\$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%	100,000		( 50,000)	50,000	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%	275,000		( 135,000)	140,000	140,000
\$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%	1,925,000		( 160,000)	1,765,000	165,000
Accumulated compensated absences	<u>444,771</u>	<u>124,617</u>	<u>          </u>	<u>569,388</u>	<u>256,545</u>
TOTAL PRIMARY GOVERNMENT	<u>\$4,390,089</u>	<u>\$ 124,617</u>	<u>\$( 565,318)</u>	3,949,388	<u>\$ 776,545</u>
Less: Amount payable within one year				<u>776,545</u>	
TOTAL LONG-TERM DEBT GOVERNMENTAL ACTIVITIES				<u>\$3,172,843</u>	

**NOTE 10: LONG-TERM OBLIGATIONS - Continued**

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

Year Ending June 30	Business-Type Activities	Governmental Funds	Total
2021			
Principal	380,000	520,000	900,000
Interest	125,541	83,863	209,404
Total	505,541	603,863	1,109,404
2022			
Principal	390,000	335,000	725,000
Interest	115,916	70,938	186,854
Total	505,916	405,938	911,854
2023			
Principal	395,000	335,000	730,000
Interest	106,104	62,173	168,277
Total	501,104	397,173	898,277
2024			
Principal	405,000	345,000	750,000
Interest	96,104	53,278	149,382
Total	501,104	398,278	899,382
2025			
Principal	415,000	350,000	765,000
Interest	85,854	44,198	130,052
Total	500,854	394,198	895,052
2026– 2030			
Principal	2,245,000	1,015,000	3,260,000
Interest	265,769	126,730	392,499
Total	2,510,769	1,141,730	3,652,499
2031 -2035			
Principal	981,650	395,000	1,376,650
Interest	24,687	40,256	64,943
Total	1,006,337	435,256	1,441,593
2036			
Principal	-	85,000	85,000
Interest	-	1,647	1,647
Total	-	86,647	86,647
Total			
Principal	5,211,650	3,380,000	8,591,650
Interest	819,975	483,083	1,303,058
Total	6,031,625	3,863,083	9,894,708

**NOTE 10: LONG-TERM OBLIGATIONS - Concluded**

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 11: 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](http://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, 2019 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	67
Inactive employees entitled to but not yet receiving benefits	21
Active employees	<u>70</u>
TOTAL	<u>158</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.

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.



**NOTE 11: DEFINED BENEFIT PENSION PLAN – Continued**

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2019, 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

Effective valuation, the MERS Retirement Board had adopted a reduction in the investment rate of return assumption from 7.75% to 7.35% and a reduction in the rate of wage inflation from 3.75% to 3.00%.

The total pension liability in the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Salary increases: 3.00% in the long-term. Investment rate of return: 7.35%, net of investment and administrative expenses, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.0% 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 2013-2018.

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	60.00%	6.15%
Global Fixed Income	20.00%	1.26%
Private Equities	20.00%	6.56%

Discount Rate

The discount rate used to measure the total pension liability is 7.60% for 2019. 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 11: DEFINED BENEFIT PENSION PLAN – Continued**

**Calculating Net Pension Liability**

Changes in Net Pension Liability	Increase (Decrease)		
	TOTAL PENSION LIABILITY	PLAN FIDUCIARY NET POSITION	NET PENSION LIABILITY
	(a)	(b)	(a) - (b)
Balances at 12/31/18	\$29,205,791	\$19,732,949	\$ 9,472,842
Changes for the Year			
Service cost	451,735		451,735
Interest on Total Pension Liability	2,292,570		2,292,570
Difference between actual and expected experience	36,724		36,724
Change in assumptions	991,871		991,871
Employer Contributions		1,699,981	( 1,699,981 )
Net investment income		2,697,788	( 2,697,788 )
Benefit payments, including employee refunds	( 1,549,076 )	( 1,549,076 )	-
Administrative expense		( 46,473 )	46,473
Net changes	<u>2,223,824</u>	<u>2,802,220</u>	<u>( 578,396 )</u>
Balances as of 12/31/19	\$31,429,615	\$22,535,169	\$ 8,894,446

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.60%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.60%) or 1% higher (8.60%) than the current rate.

**Sensitivity to Changes in Discount Rate**

	1% DECREASE 6.60%	CURRENT DISCOUNT RATE (7.60%)	1% INCREASE 8.6%
Change in Pension Liability at 12/31/19	\$12,459,889	8,894,446	5,871,727

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, 2019, the employer recognized pension expense of \$1,291,101.

**NOTE 11: DEFINED BENEFIT PENSION PLAN – Concluded**

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	\$ 38,828	\$ 58,271
Change in assumption	743,903	-
Excess (Deficit) Investment Returns	98,514	-
Contributions subsequent to the measurement date	<u>812,032</u>	<u>-</u>
Total	\$ <u>1,693,278</u>	\$ <u>58,271</u>

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 June 30, 2021.

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

Year ended	
2021	\$ 215,472
2022	305,542
2023	524,956
2024	( 222,995 )

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 12: 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 \$902,114 during the year ended June 30, 2020. The total number of eligible retirees amounted to 50 of which only 43 are active at June 30, 2020. The City pays 100% of these costs. There are no provisions for employee contributions. The City has recorded a liability of \$14,476,877 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 \$1,919,269 at June 30, 2020. The City of Lapeer did not meet its Actuarially Determined Contribution (ADC) requirements in 2020 by \$640,700. The Plan does not issue a separate financial report.

**NOTE 12: POST EMPLOYMENT BENEFITS - Continued**

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 3% 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, 2020 were as follows:

Total OPEB liability	\$ 16,396,146
Plan fiduciary net position	<u>1,919,268</u>
City's net OPEB liability	<u>\$ 14,476,878</u>
Plan fiduciary net position as a percentage of the total OPEB liability	11.7%

*Discount rate.* A single discount rate of 7.35 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 7.35 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 7.35 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 (6.35 percent) or 1 percentage point higher (8.35 percent) than the current rate:

	1% DECREASE (6.35%)	CURRENT SINGLE DISCOUNT RATE (7.35%)	1% INCREASE (8.35%)
Net OPEB liability	\$16,628,664	\$14,476,878	\$12,702,719

**NOTE 12: 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 8 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 (7.0 percent decreasing to 4.0 percent) or 1 percentage point higher (9.0 percent decreasing to 6.0 percent) than the current rate:

	1% DECREASE	HEALTHCARE COST TREND RATE	1% INCREASE
Net OPEB liability	\$12,448,545	\$14,476,878	\$16,959,990

Funding Progress

For the year ended June 30, 2020, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2019. 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, 2020, the City recognized OPEB expenses of \$1,983,282. The City reported deferred inflows of resources related to the OPEB from the following sources:

	Outflows	Inflows
Differences between expected and Actual experience	\$ -	\$ 3,100,741
Changes in assumption	788,204	1,104,800
Net differences between projected and Actual earnings in OPEB investments	<u>96,878</u>	<u>-</u>
	<u>\$ 885,082</u>	<u>\$ 4,205,544</u>

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

Year ended June 30,	
2021	\$ ( 3,273,151)
2022	( 99,669)
2023	33,816
2024	<u>18,542</u>
	<u>\$ ( 3,320,462)</u>

Payable to OPEB plan

At June 30, 2020 the City had no amounts payable for contributions to the OPEB plan.

**NOTE 12: 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, 2019.

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

**NOTE 12: POST EMPLOYMENT BENEFITS – Concluded**

The payroll growth rate has been updated to be consistent with the assumptions used in the December 31, 2019 MERS actuarial valuation

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 7.35 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, 2020 was 24 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, 2020, 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, 2020 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	\$ 2,068,051
Public safety	4,170,713
Public works	2,479,870
Cultural and recreation	1,608,534
Community development and enrichment	<u>516,013</u>
Total Governmental Activities	<u>10,843,181</u>
Business-Type Activities	
Auto parking	159,246
Wastewater treatment plant	2,243,916
Water supply	<u>1,230,535</u>
Total Business-Type Activities	<u>3,633,697</u>
TOTAL OPEB OBLIGATION	<u>\$ 14,476,878</u>

**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 BONDS**

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, 2020 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: 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 21: 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 22: 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, 2019, from which the summarized information was derived.

**NOTE 23: 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.

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 24: 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 25: 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, 2020:

**NOTE 25: FAIR VALUE MEASUREMENTS - Concluded**

**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:				
Fixed income	\$ 383,854	\$ 383,854	\$ -	\$ -
Equities	1,151,560	1,151,560	-	-
Mutual Funds	<u>383,854</u>	<u>383,854</u>	<u>-</u>	<u>-</u>
Total investment measured at fair value	\$ <u>1,919,268</u>	\$ <u>1,919,268</u>	\$ <u>-</u>	\$ <u>-</u>

**NOTE 26: TAX ABATEMENTS**

The City received reduced property tax revenues during 2019/2020 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 2019/2020 City tax revenues by \$62,176. 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 2019 City tax revenues by an immaterial amount.

**NOTE 27: NEW ACCOUNTING STANDARD**

GASB Statement No. 84, Fiduciary Activities, was implemented. This standard enhanced 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.

**NOTE 28: UPCOMING ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 87, Leases, was issued which will establish a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible 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.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAPEER, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes				
Property taxes	\$ 2,971,408	\$ 2,971,408	\$ 3,114,645	\$ 143,237
Penalties and interest	97,000	97,000	106,218	9,218
City income taxes	<u>3,185,000</u>	<u>3,185,000</u>	<u>3,805,980</u>	<u>620,980</u>
Total Taxes	<u>6,253,408</u>	<u>6,253,408</u>	<u>7,026,843</u>	<u>773,435</u>
Federal Grants				
MSHDA Section 8	154,000	154,000	174,471	20,471
School liaison officer	<u>62,000</u>	<u>62,000</u>	<u>45,800</u>	<u>(16,200)</u>
Total Federal Grants	<u>216,000</u>	<u>216,000</u>	<u>220,271</u>	<u>4,271</u>
Licenses and Permits				
Licenses	19,500	19,500	66,435	46,935
Permits	20,000	20,000	22,100	2,100
Cable franchise fees	<u>121,300</u>	<u>121,300</u>	<u>139,263</u>	<u>17,963</u>
Total Licenses and Permits	<u>160,800</u>	<u>160,800</u>	<u>227,798</u>	<u>66,998</u>
Intergovernmental				
Sales tax	893,322	893,322	809,058	(84,264)
Liquor licenses	<u>12,500</u>	<u>12,500</u>	<u>13,854</u>	<u>1,354</u>
Total Intergovernmental	<u>905,822</u>	<u>905,822</u>	<u>822,912</u>	<u>(82,910)</u>
Charges for Services				
Administrative fees	666,563	666,563	666,563	-
Copies	3,000	3,000	3,420	420
Fire runs and protection	449,750	449,750	472,065	22,315
Other fees	<u>8,500</u>	<u>8,500</u>	<u>46,890</u>	<u>38,390</u>
Total Charges for Services	<u>1,127,813</u>	<u>1,127,813</u>	<u>1,188,938</u>	<u>61,125</u>
Fines and Forfeits				
Court fines	<u>35,000</u>	<u>35,000</u>	<u>28,030</u>	<u>(6,970)</u>

CITY OF LAPEER, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND - Continued

FOR THE YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES - Concluded				
Other Revenues				
Interest on investments	\$ 15,500	\$ 15,500	\$ 54,944	\$ 39,444
Rentals	137,638	137,638	137,567	(71)
Reimbursements	92,000	104,500	112,784	8,284
Miscellaneous	40,450	40,450	69,260	28,810
Contributions	806,466	806,466	646,906	(159,560)
Total Other Revenues	1,092,054	1,104,554	1,021,461	(83,093)
TOTAL REVENUES	9,790,897	9,803,397	10,536,253	732,856
EXPENDITURES				
General Government				
Legislative	49,507	49,507	43,198	6,309
Executive/Clerk	662,599	672,599	633,828	38,771
Assessor's office	256,951	256,951	217,750	39,201
Income tax	236,038	241,038	237,697	3,341
Attorney	144,000	165,700	162,874	2,826
Elections	56,771	46,771	35,193	11,578
City Hall	44,744	98,984	98,134	850
Board of Review	2,129	2,129	838	1,291
Finance	595,987	595,987	568,345	27,642
Cable advisory board	395	395	118	277
Total General Government	2,049,121	2,130,061	1,997,975	132,086
Public Safety				
Police	3,442,724	3,376,284	3,268,074	108,210
Fire	1,132,765	1,132,677	1,033,786	98,891
Total Public Safety	4,575,489	4,508,961	4,301,860	207,101
Public Works				
Public services	954,102	1,011,691	1,010,238	1,453
Community development and enrichment	754,532	764,532	740,678	23,854

**CITY OF LAPEER, MICHIGAN**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**GENERAL FUND - Concluded**

**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
EXPENDITURES - Concluded				
Other Functions				
Contingency	\$ 101,000	\$ 33,381	\$ -	\$ 33,381
Contributions to other units	58,802	78,132	78,070	62
Contributions to component units	<u>1,283,005</u>	<u>1,283,005</u>	<u>1,151,644</u>	<u>131,361</u>
Total Other Functions	<u>1,442,807</u>	<u>1,394,518</u>	<u>1,229,714</u>	<u>164,804</u>
TOTAL EXPENDITURES	<u>9,776,051</u>	<u>9,809,763</u>	<u>9,280,465</u>	<u>529,298</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>14,846</u>	<u>(6,366)</u>	<u>1,255,788</u>	<u>1,262,154</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	280,916	280,916	280,952	36
Operating transfers out	<u>(949,968)</u>	<u>(949,968)</u>	<u>(949,968)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(669,052)</u>	<u>(669,052)</u>	<u>(669,016)</u>	<u>36</u>
NET CHANGE IN FUND BALANCE	(654,206)	(675,418)	586,772	1,262,190
FUND BALANCE, JULY 1	<u>2,983,517</u>	<u>2,983,517</u>	<u>2,983,517</u>	<u>-</u>
FUND BALANCE, JUNE 30	\$ <u><u>2,329,311</u></u>	\$ <u><u>2,308,099</u></u>	\$ <u><u>3,570,289</u></u>	\$ <u><u>1,262,190</u></u>



CITY OF LAPEER, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

MAJOR STREET FUND

FOR THE YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
State grants	\$ 1,048,580	\$ 1,048,580	\$ 843,673	\$ (204,907)
Interest on investments	3,500	3,500	5,055	1,555
Contribution from component units	2,919	2,919	2,919	-
Other revenues	<u>15,915</u>	<u>15,915</u>	<u>32,262</u>	<u>16,347</u>
TOTAL REVENUES	1,070,914	1,070,914	883,909	(187,005)
EXPENDITURES				
Highways and streets	<u>447,330</u>	<u>1,247,330</u>	<u>1,140,514</u>	<u>106,816</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>623,584</u>	<u>(176,416)</u>	<u>(256,605)</u>	<u>(80,189)</u>
OTHER FINANCING SOURCES				
Operating transfers out	<u>(310,498)</u>	<u>(310,498)</u>	<u>(309,278)</u>	<u>1,220</u>
NET CHANGE IN FUND BALANCE	313,086	(486,914)	(565,883)	(78,969)
FUND BALANCE, JULY 1	<u>1,109,199</u>	<u>1,109,199</u>	<u>1,109,199</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 1,422,285</u>	<u>\$ 622,285</u>	<u>\$ 543,316</u>	<u>\$ (78,969)</u>

CITY OF LAPEER, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

PARKS AND RECREATION FUND

FOR THE YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Charges for services	\$ 1,117,700	\$ 1,117,700	\$ 713,130	\$ (404,570)
Intergovernmental	337,995	337,995	251,385	(86,610)
Interest and rent	55,100	55,100	37,970	(17,130)
Donations	6,200	6,200	2,200	(4,000)
Contribution from component units	536,072	536,072	403,845	(132,227)
Other revenues	<u>3,300</u>	<u>3,300</u>	<u>2,675</u>	<u>(625)</u>
TOTAL REVENUES	2,056,367	2,056,367	1,411,205	(645,162)
EXPENDITURES				
Culture and recreation	<u>2,563,320</u>	<u>2,563,320</u>	<u>2,190,252</u>	<u>373,068</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(506,953)</u>	<u>(506,953)</u>	<u>(779,047)</u>	<u>(272,094)</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>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>490,000</u>	<u>490,000</u>	<u>490,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(16,953)	(16,953)	(289,047)	(272,094)
FUND BALANCE, JULY 1	<u>438,430</u>	<u>438,430</u>	<u>438,430</u>	<u>-</u>
FUND BALANCE, JUNE 30	\$ <u><u>421,477</u></u>	\$ <u><u>421,477</u></u>	\$ <u><u>149,383</u></u>	\$ <u><u>(272,094)</u></u>

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

(Schedule is built prospectively upon implementation of GASB Statement No. 68)

	2020	2019
TOTAL PENSION LIABILITY		
Service cost	\$ 451,735	\$ 450,652
Interest	2,292,570	2,207,746
Change in assumptions	991,871	-
Difference between actual and expected experience	36,724	(116,542)
Benefit payments, including refunds	(1,549,076)	(1,415,125)
Other change	<u>-</u>	<u>(1)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	2,223,824	1,126,730
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	<u>29,205,791</u>	<u>28,079,061</u>
TOTAL PENSION LIABILITY - END OF YEAR	<u><u>\$ 31,429,615</u></u>	<u><u>\$ 29,205,791</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 1,699,981	\$ 1,626,120
Contributions - employee	-	-
Net investment income	2,697,788	(816,872)
Benefit payments, including refunds	(1,549,076)	(1,415,125)
Administrative expenses	<u>(46,473)</u>	<u>(39,847)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,802,220	(645,724)
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	<u>19,732,949</u>	<u>20,378,673</u>
PLAN FIDUCIARY NET POSITION - END OF YEAR	<u><u>\$ 22,535,169</u></u>	<u><u>\$ 19,732,949</u></u>
CITY'S NET PENSION LIABILITY - ENDING	<u><u>\$ 8,894,446</u></u>	<u><u>\$ 9,472,842</u></u>
PLAN FIDUCIARY NET POSITION AS A % OF TOTAL PENSION LIABILITY	71.70%	67.57%
COVERED PAYROLL	<u><u>\$ 4,459,282</u></u>	<u><u>\$ 4,434,972</u></u>
CITY'S NET PENSION LIABILITY AS A % OF COVERED PAYROLL	199.46%	213.59%

2018	2017	2016	2015
\$ 430,250	\$ 426,985	\$ 401,331	\$ 435,088
2,109,460	1,961,859	1,888,233	1,792,434
-	-	1,224,741	-
45,141	729,250	(736,514)	-
(1,317,826)	(1,225,724)	(1,084,403)	(1,014,475)
<u>(1)</u>	<u>(2,935)</u>	<u>-</u>	<u>-</u>
1,267,024	1,889,435	1,693,388	1,213,047
<u>26,812,037</u>	<u>24,922,602</u>	<u>23,229,214</u>	<u>22,016,167</u>
\$ <u><u>28,079,061</u></u>	\$ <u><u>26,812,037</u></u>	\$ <u><u>24,922,602</u></u>	\$ <u><u>23,229,214</u></u>
\$ 1,515,038	\$ 1,316,272	\$ 1,101,356	\$ 970,425
111,189	-	-	-
2,380,419	1,817,124	(244,240)	965,353
(1,317,826)	(1,225,724)	(1,084,403)	(1,014,475)
<u>(37,593)</u>	<u>(35,842)</u>	<u>(35,472)</u>	<u>(35,527)</u>
2,651,227	1,871,830	(262,759)	885,776
<u>17,727,446</u>	<u>15,855,616</u>	<u>16,118,375</u>	<u>15,232,599</u>
\$ <u><u>20,378,673</u></u>	\$ <u><u>17,727,446</u></u>	\$ <u><u>15,855,616</u></u>	\$ <u><u>16,118,375</u></u>
\$ <u><u>7,700,388</u></u>	\$ <u><u>9,084,591</u></u>	\$ <u><u>9,066,986</u></u>	\$ <u><u>7,110,839</u></u>
72.58%	66.12%	63.62%	69.39%
\$ <u><u>4,254,076</u></u>	\$ <u><u>4,238,874</u></u>	\$ <u><u>4,095,670</u></u>	\$ <u><u>4,449,996</u></u>
181.01%	214.32%	221.38%	159.79%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,027,175	\$ 932,596	\$ 900,729	\$ 833,666
Contributions in relation to the actuarially determined contribution	<u>1,602,577</u>	<u>1,626,122</u>	<u>1,515,036</u>	<u>1,316,272</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>(575,402)</u>	\$ <u>(693,526)</u>	\$ <u>(614,307)</u>	\$ <u>(482,606)</u>
COVERED PAYROLL	\$ 4,459,282	\$ 4,434,972	\$ 4,254,076	\$ 4,238,874
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	35.94%	36.67%	35.61%	31.05%

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	3.00%
Salary increases	3.00%
Investment rate of return	7.60%
Administrative expense	0.25%
Retirement age	60
Mortality	50% Female/50% Male 2014 Group Annuity Mortality Table
Other information	None

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 789,987	\$ 769,694	\$ 792,143	\$ 747,656	\$ 722,120	\$ 733,956
<u>1,101,356</u>	<u>970,425</u>	<u>841,204</u>	<u>783,240</u>	<u>738,127</u>	<u>733,956</u>
\$ <u>(311,369)</u>	\$ <u>(200,731)</u>	\$ <u>(49,061)</u>	\$ <u>(35,584)</u>	\$ <u>(16,007)</u>	\$ <u>-</u>
\$ 4,095,670	\$ 4,449,996	\$ 4,207,951	\$ 4,539,885	\$ 4,499,943	\$ 4,541,250
26.89%	21.81%	19.99%	17.25%	16.40%	16.16%

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

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

	2020
TOTAL OPEB LIABILITY	
Service cost	\$ 192,144
Interest	1,231,515
Change in benefit terms	-
Change in assumptions	749,876
Difference between actual and expected experience	(1,115,664)
Benefit payments, including refunds	<u>(707,002)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	350,869
TOTAL OPEB LIABILITY - JULY 1	<u>16,045,277</u>
TOTAL OPEB LIABILITY - JUNE 30	\$ <u><u>16,396,146</u></u>
PLAN FIDUCIARY NET POSITION	
Contributions - employer	\$ 902,114
Net investment income	45,128
Benefit payments, including refunds	(707,002)
Administrative expenses	<u>(3,938)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	236,302
PLAN FIDUCIARY NET POSITION - JULY 1	<u>1,682,966</u>
PLAN FIDUCIARY NET POSITION - JUNE 30	\$ <u><u>1,919,268</u></u>
CITY'S NET OPEB LIABILITY - JUNE 30	\$ <u><u>14,476,878</u></u>
PLAN FIDUCIARY NET POSITION AS A % OF TOTAL OPEB LIABILITY	11.71%
COVERED PAYROLL	\$ <u><u>3,171,867</u></u>
CITY'S NET OPEB LIABILITY AS A % OF COVERED PAYROLL	456.42%

2019	2018	2017
\$ 205,192	\$ 444,127	\$ 488,520
1,309,378	1,568,748	1,558,423
(10,592)		
864,859	(4,419,206)	1,909,844
(2,650,227)	(5,894,230)	(2,958,392)
(713,370)	(711,777)	(850,043)
<u>(994,760)</u>	<u>(9,012,338)</u>	<u>148,352</u>
<u>17,040,037</u>	<u>26,052,375</u>	<u>25,904,023</u>
\$ <u><u>16,045,277</u></u>	\$ <u><u>17,040,037</u></u>	\$ <u><u>26,052,375</u></u>
\$ 901,416	\$ 912,007	\$ 847,211
43,434	131,267	177,736
(713,370)	(711,777)	(687,095)
(4,133)	(4,081)	(3,746)
<u>227,347</u>	<u>327,416</u>	<u>334,106</u>
<u>1,455,619</u>	<u>1,128,203</u>	<u>794,097</u>
\$ <u><u>1,682,966</u></u>	\$ <u><u>1,455,619</u></u>	\$ <u><u>1,128,203</u></u>
\$ <u><u>14,362,311</u></u>	\$ <u><u>15,584,418</u></u>	\$ <u><u>24,924,172</u></u>
10.49%	8.54%	4.33%
\$ <u><u>2,811,218</u></u>	\$ <u><u>3,454,588</u></u>	\$ <u><u>3,329,723</u></u>
510.89%	451.12%	748.54%



CITY OF LAPEER, MICHIGAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB  
FOR THE YEAR ENDED JUNE 30, 2020

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

YEAR ENDED JUNE 30,	ACTUARIALLY DETERMINED CONTRIBUTIONS	ACTUAL CONTRIBUTION	CONTRIBUTION DEFICIENCY (EXCESS)	COVERED PAYROLL	ACTUAL CONTRIBUTION AS PERCENTAGE OF COVERED- 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%
2020	1,542,814	902,114	640,700	3,171,867	28.4%

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	2.50%
Salary increases	3.00%
Investment rate of return	7.35%
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, 2020

	SPECIAL REVENUE	DEBT SERVICE
ASSETS		
Cash	\$ 1,301,949	\$ 96,074
Receivables		
Accounts	1,360	-
Special assessments	-	2,765
Prepaid items	7,137	-
Due from		
Other units	530	3,025
State	<u>33,584</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,344,560</u>	<u>\$ 101,864</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Payables		
Accounts	\$ 173,662	\$ -
Payroll and payroll taxes	<u>10,846</u>	<u>-</u>
TOTAL LIABILITIES	<u>184,508</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable - special assessment	<u>-</u>	<u>2,765</u>
FUND BALANCE		
Nonspendable	7,137	-
Restricted	989,177	99,099
Committed	163,738	-
Assigned	<u>-</u>	<u>-</u>
TOTAL FUND BALANCE	<u>1,160,052</u>	<u>99,099</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 1,344,560</u>	<u>\$ 101,864</u>

CAPITAL PROJECTS	PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 97,065	\$ 11,253	\$ 1,506,341
-	-	1,360
-	-	2,765
-	-	7,137
-	-	3,555
-	-	33,584
<u>97,065</u>	<u>\$ 11,253</u>	<u>\$ 1,554,742</u>
\$ 36,961	\$ -	\$ 210,623
-	-	10,846
<u>36,961</u>	<u>-</u>	<u>221,469</u>
-	-	2,765
-	-	7,137
-	-	1,088,276
-	10,781	174,519
60,104	472	60,576
<u>60,104</u>	<u>11,253</u>	<u>1,330,508</u>
\$ <u>97,065</u>	\$ <u>11,253</u>	\$ <u>1,554,742</u>

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE	DEBT SERVICE
REVENUES		
Taxes and special assessments	\$ 471	\$ 12,498
Intergovernmental	1,220,616	-
Charges for services	398,030	-
Interest and rentals	13,291	2,490
Contribution from component units	31,550	-
Other revenues	<u>6,169</u>	<u>62,804</u>
TOTAL REVENUES	<u>1,670,127</u>	<u>77,792</u>
EXPENDITURES		
Public safety	36,290	-
Public services	134,507	-
Community development and enrichment	1,335,136	-
Debt service		
Principal retirement	-	565,000
Interest and fiscal charges	-	107,969
Other	963	483
Highways and streets	201,606	-
Capital outlay	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,708,502</u>	<u>673,452</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(38,375)</u>	<u>(595,660)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	252,064	546,688
Operating transfers out	<u>(76,298)</u>	<u>(18,578)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>175,766</u>	<u>528,110</u>
Net change in fund balance	137,391	(67,550)
FUND BALANCE, JULY 1	<u>1,022,661</u>	<u>166,649</u>
FUND BALANCE, JUNE 30	<u>\$ 1,160,052</u>	<u>\$ 99,099</u>

CAPITAL PROJECTS	PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ -	\$ 12,969
-	-	1,220,616
-	-	398,030
1,218	131	17,130
-	-	31,550
-	420	69,393
<u>1,218</u>	<u>551</u>	<u>1,749,688</u>
-	-	36,290
-	-	134,507
-	-	1,335,136
-	-	565,000
-	-	107,969
8,411	-	9,857
-	-	201,606
121,172	-	121,172
<u>129,583</u>	<u>-</u>	<u>2,511,537</u>
(128,365)	551	(761,849)
130,776	-	929,528
-	(131)	(95,007)
<u>130,776</u>	<u>(131)</u>	<u>834,521</u>
2,411	420	72,672
57,693	10,833	1,257,836
<u>\$ 60,104</u>	<u>\$ 11,253</u>	<u>\$ 1,330,508</u>

## 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, 2020

WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	MAJOR STREET	LOCAL STREET
<b>ASSETS</b>		
Cash	\$ 167,429	\$ 832,439
Investments	247,100	-
Special assessment receivable	77,185	-
Accounts receivable	26,332	400
Prepaid items	5,691	3,585
Due from other units	4,154	530
Due from state	<u>112,053</u>	<u>33,584</u>
TOTAL ASSETS	<u>\$ 639,944</u>	<u>\$ 870,538</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 18,532	\$ 50,900
Payroll and taxes payable	<u>911</u>	<u>3,914</u>
TOTAL LIABILITIES	<u>19,443</u>	<u>54,814</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable - special assessment	<u>77,185</u>	<u>-</u>
<b>FUND BALANCE</b>		
Nonspendable	5,691	3,585
Restricted		
Roads	537,625	812,139
Cemetery	-	-
Public safety	-	-
Committed		
Parks, recreations, and cultural services	-	-
Planning, zoning, building	-	-
Housing resource fund	<u>-</u>	<u>-</u>
TOTAL FUND BALANCE	<u>543,316</u>	<u>815,724</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 639,944</u>	<u>\$ 870,538</u>

PARKS AND RECREATION	MT. HOPE CEMETERY	YOUTH MINI-GRANT	BUILDING DEPARTMENT	OAKDALE DEVELOPMENT
\$ 207,610	\$ 78,583	\$ 586	\$ 100,452	\$ 80,881
-	-	-	-	-
-	-	-	-	-
18,337	160	-	749	51
10,796	631	-	2,737	184
-	-	-	-	-
-	-	-	-	-
<u>\$ 236,743</u>	<u>\$ 79,374</u>	<u>\$ 586</u>	<u>\$ 103,938</u>	<u>\$ 81,116</u>
\$ 69,563	\$ 6,237	\$ -	\$ 56,507	\$ 2,361
17,797	1,119	-	5,215	598
<u>87,360</u>	<u>7,356</u>	<u>-</u>	<u>61,722</u>	<u>2,959</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10,796	631	-	2,737	184
-	-	-	-	-
-	71,387	-	-	-
-	-	-	-	-
138,587	-	586	-	77,973
-	-	-	39,479	-
-	-	-	-	-
<u>149,383</u>	<u>72,018</u>	<u>586</u>	<u>42,216</u>	<u>78,157</u>
<u>\$ 236,743</u>	<u>\$ 79,374</u>	<u>\$ 586</u>	<u>\$ 103,938</u>	<u>\$ 81,116</u>

CITY OF LAPEER, MICHIGAN  
 COMBINING BALANCE SHEET  
 SPECIAL REVENUE FUNDS - Continued  
 JUNE 30, 2020  
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	DOG PARK	POLICE K-9 PROGRAM	DRUG LAW ENFORCEMENT
<b>ASSETS</b>			
Cash	\$ 4,415	\$ 12,474	\$ 72,400
Investments	-	-	-
Special assessment receivable	-	-	-
Accounts receivable	-	-	-
Prepaid expenses	-	-	-
Due from other units	-	-	-
Due from state	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
OUTFLOWS OF RESOURCES	\$ <u>4,415</u>	\$ <u>12,474</u>	\$ <u>72,400</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Payroll and taxes payable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Special assessment deferred revenue	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>			
Nonspendable	-	-	-
Restricted			
Roads	-	-	-
Cemetery	-	-	-
Public safety	-	12,474	72,400
Committed			
Parks, recreations, and cultural services	4,415	-	-
Planning, zoning, building	-	-	-
Housing resource fund	-	-	-
	<u>4,415</u>	<u>12,474</u>	<u>72,400</u>
TOTAL FUND BALANCE	<u>4,415</u>	<u>12,474</u>	<u>72,400</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ <u>4,415</u>	\$ <u>12,474</u>	\$ <u>72,400</u>

SCHOOL LIAISON	SITE PLAN REVIEW	GENERAL FORFEITURE	PUBLIC SAFETY TRAINING
\$ 7,529	\$ 59,748	\$ 9,844	\$ 504
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>7,529</u>	<u>59,748</u>	<u>9,844</u>	<u>504</u>
\$ <u><u>7,529</u></u>	\$ <u><u>59,748</u></u>	\$ <u><u>9,844</u></u>	\$ <u><u>504</u></u>
\$ -	\$ 57,657	\$ -	\$ -
-	-	-	-
<u>-</u>	<u>57,657</u>	<u>-</u>	<u>-</u>
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	-	-
7,529	-	9,844	504
-	-	-	-
-	2,091	-	-
-	-	-	-
<u>7,529</u>	<u>2,091</u>	<u>9,844</u>	<u>504</u>
\$ <u><u>7,529</u></u>	\$ <u><u>59,748</u></u>	\$ <u><u>9,844</u></u>	\$ <u><u>504</u></u>

CITY OF LAPEER, MICHIGAN  
 COMBINING BALANCE SHEET  
 SPECIAL REVENUE FUNDS - Concluded  
 JUNE 30, 2020  
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	MOBILE TRAINING UNIT	HOUSING RESOURCE
ASSETS		
Cash	\$ 2,900	\$ 39,194
Investments	-	-
Special assessment receivable	-	-
Accounts receivable	-	-
Prepaid expenses	-	-
Due from other units	-	-
Due from state	-	-
	<u>          </u>	<u>          </u>
OUTFLOWS OF RESOURCES	\$ <u>2,900</u>	\$ <u>39,194</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ -	\$ -
Payroll and taxes payable	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Special assessment deferred revenue	<u>-</u>	<u>-</u>
FUND BALANCE		
Nonspendable	-	-
Restricted		
Roads	-	-
Cemetery	-	-
Public safety	2,900	
Committed		
Parks, recreations, and cultural services	-	-
Planning, zoning, building	-	-
Housing resource fund	<u>-</u>	<u>39,194</u>
TOTAL FUND BALANCE	<u>2,900</u>	<u>39,194</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ <u>2,900</u>	\$ <u>39,194</u>

TOTAL SPECIAL REVENUE 2020	ELIMINATION OF MAJOR FUNDS	TOTAL NON- MAJOR SPECIAL REVENUE 2020	TOTAL SPECIAL REVENUE 2019
\$ 1,676,988	\$ (375,039)	\$ 1,301,949	\$ 1,557,443
247,100	(247,100)	-	651,948
77,185	(77,185)	-	94,522
46,029	(44,669)	1,360	35,139
23,624	(16,487)	7,137	21,994
4,684	(4,154)	530	4,296
145,637	(112,053)	33,584	495,121
<u>\$ 2,221,247</u>	<u>\$ (876,687)</u>	<u>\$ 1,344,560</u>	<u>\$ 2,860,463</u>
\$ 261,757	\$ (88,095)	\$ 173,662	\$ 169,610
29,554	(18,708)	10,846	26,041
<u>291,311</u>	<u>(106,803)</u>	<u>184,508</u>	<u>195,651</u>
<u>77,185</u>	<u>(77,185)</u>	<u>-</u>	<u>94,522</u>
23,624	(16,487)	7,137	21,994
1,349,764	(537,625)	812,139	1,789,660
71,387	-	71,387	70,373
105,651	-	105,651	128,205
221,561	(138,587)	82,974	497,335
41,570	-	41,570	30,694
39,194	-	39,194	32,029
<u>1,852,751</u>	<u>(692,699)</u>	<u>1,160,052</u>	<u>2,570,290</u>
<u>\$ 2,221,247</u>	<u>\$ (876,687)</u>	<u>\$ 1,344,560</u>	<u>\$ 2,860,463</u>

CITY OF LAPEER, MICHIGAN  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE  
 SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020  
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	MAJOR STREET	LOCAL STREET
REVENUES		
Taxes and special assessments	\$ 17,190	\$ 471
Charges for services	-	-
Intergovernmental		
Federal	-	-
State	843,673	240,623
Interest and rent	7,396	8,655
Donations	-	-
Contribution from component units	2,919	-
Other revenue	<u>12,731</u>	<u>-</u>
TOTAL REVENUES	<u>883,909</u>	<u>249,749</u>
EXPENDITURES		
Highways and streets	1,140,514	201,606
Culture and recreation	-	-
Public services	-	-
Community development and enrichment	-	-
Public safety	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,140,514</u>	<u>201,606</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(256,605)</u>	<u>48,143</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	145,418
Operating transfers out	<u>(309,278)</u>	<u>(58,298)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(309,278)</u>	<u>87,120</u>
NET CHANGE IN FUND BALANCE	(565,883)	135,263
FUND BALANCE, JULY 1	<u>1,109,199</u>	<u>680,461</u>
FUND BALANCE, JUNE 30	<u><u>\$ 543,316</u></u>	<u><u>\$ 815,724</u></u>

PARKS AND RECREATION	MT. HOPE CEMETERY	YOUTH MINI-GRANT	BUILDING DEPARTMENT	OAKDALE DEVELOPMENT
\$ -	\$ -	\$ -	\$ -	\$ -
713,130	34,100	-	363,930	-
251,385	-	-	-	-
-	-	-	-	-
37,970	921	6	922	1,110
2,200	-	-	-	-
403,845	-	-	-	31,550
2,675	-	-	-	-
<u>1,411,205</u>	<u>35,021</u>	<u>6</u>	<u>364,852</u>	<u>32,660</u>
-	-	-	-	-
2,190,252	-	-	-	-
-	134,507	-	-	-
-	-	-	344,487	29,449
-	-	-	-	-
<u>2,190,252</u>	<u>134,507</u>	<u>-</u>	<u>344,487</u>	<u>29,449</u>
(779,047)	(99,486)	6	20,365	3,211
500,000	101,131	-	-	-
(10,000)	-	-	-	-
<u>490,000</u>	<u>101,131</u>	<u>-</u>	<u>-</u>	<u>-</u>
(289,047)	1,645	6	20,365	3,211
438,430	70,373	580	21,851	74,946
<u>\$ 149,383</u>	<u>\$ 72,018</u>	<u>\$ 586</u>	<u>\$ 42,216</u>	<u>\$ 78,157</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, 2020  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	DOG PARK	POLICE K-9 PROGRAM	DRUG LAW ENFORCEMENT
REVENUES			
Taxes and special assessments	\$ -	\$ -	\$ -
Charges for services	-	-	-
Intergovernmental			
Federal	-	-	-
State	-	-	-
Interest and rent	5	150	1,060
Donations	-	-	-
Contribution from component units	-	-	-
Other revenue	-	-	744
	<u>5</u>	<u>150</u>	<u>1,804</u>
TOTAL REVENUES	<u>5</u>	<u>150</u>	<u>1,804</u>
EXPENDITURES			
Highways and streets	-	-	-
Culture and recreation	963	-	-
Public services	-	-	-
Community development and enrichment	-	-	-
Public safety	-	629	31,278
	<u>963</u>	<u>629</u>	<u>31,278</u>
TOTAL EXPENDITURES	<u>963</u>	<u>629</u>	<u>31,278</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(958)</u>	<u>(479)</u>	<u>(29,474)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	2,515	-
Operating transfers out	-	-	-
	<u>-</u>	<u>2,515</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>2,515</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(958)	2,036	(29,474)
FUND BALANCE, JULY 1	<u>5,373</u>	<u>10,438</u>	<u>101,874</u>
FUND BALANCE, JUNE 30	\$ <u><u>4,415</u></u>	\$ <u><u>12,474</u></u>	\$ <u><u>72,400</u></u>

SCHOOL LIAISON	SITE PLAN REVIEW	GENERAL FORFEITURE	PUBLIC SAFETY TRAINING
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	2,903
57	248	116	6
3,150	-	-	-
-	-	-	-
-	1,000	-	-
<u>3,207</u>	<u>1,248</u>	<u>116</u>	<u>2,909</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,370	-	110	2,903
<u>1,370</u>	<u>-</u>	<u>110</u>	<u>2,903</u>
1,837	1,248	6	6
<u>1,837</u>	<u>1,248</u>	<u>6</u>	<u>6</u>
3,000	-	-	-
-	(8,000)	-	-
<u>3,000</u>	<u>(8,000)</u>	<u>-</u>	<u>-</u>
4,837	(6,752)	6	6
<u>2,692</u>	<u>8,843</u>	<u>9,838</u>	<u>498</u>
\$ <u><u>7,529</u></u>	\$ <u><u>2,091</u></u>	\$ <u><u>9,844</u></u>	\$ <u><u>504</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, 2020  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	MOBILE TRAINING UNIT	HOUSING RESOURCE
REVENUES		
Taxes and special assessments	\$ -	\$ -
Charges for services	-	-
Intergovernmental		
Federal	-	-
State	-	977,090
Interest and rent	35	-
Donations	-	-
Contribution from component units	-	-
Other revenue	-	1,275
	<hr/>	<hr/>
TOTAL REVENUES	35	978,365
	<hr/>	<hr/>
EXPENDITURES		
Highways and streets	-	-
Culture and recreation	-	-
Public services	-	-
Community development and enrichment	-	961,200
Public safety	-	-
	<hr/>	<hr/>
TOTAL EXPENDITURES	-	961,200
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	35	17,165
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	-
Operating transfers out	-	(10,000)
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	(10,000)
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	35	7,165
FUND BALANCE, JULY 1	2,865	32,029
	<hr/>	<hr/>
FUND BALANCE, JUNE 30	\$ 2,900	\$ 39,194
	<hr/> <hr/>	<hr/> <hr/>

TOTAL SPECIAL REVENUE 2020	ELIMINATION OF MAJOR FUNDS	TOTAL NON- MAJOR SPECIAL REVENUE 2020	SPECIAL REVENUE 2019
\$ 17,661	\$ (17,190)	\$ 471	\$ 28,579
1,111,160	(713,130)	398,030	1,424,322
251,385	(251,385)	-	-
2,064,289	(843,673)	1,220,616	1,575,622
58,657	(45,366)	13,291	82,721
5,350	(2,200)	3,150	42,097
438,314	(406,764)	31,550	313,740
18,425	(15,406)	3,019	108,175
<u>3,965,241</u>	<u>(2,295,114)</u>	<u>1,670,127</u>	<u>3,575,256</u>
1,342,120	(1,140,514)	201,606	1,877,731
2,191,215	(2,190,252)	963	1,998,534
134,507	-	134,507	131,444
1,335,136	-	1,335,136	451,939
36,290	-	36,290	25,914
<u>5,039,268</u>	<u>(3,330,766)</u>	<u>1,708,502</u>	<u>4,485,562</u>
<u>(1,074,027)</u>	<u>(1,035,652)</u>	<u>(38,375)</u>	<u>(910,306)</u>
752,064	(500,000)	252,064	826,330
<u>(395,576)</u>	<u>319,278</u>	<u>(76,298)</u>	<u>(392,022)</u>
<u>356,488</u>	<u>(180,722)</u>	<u>175,766</u>	<u>434,308</u>
(717,539)	854,930	137,391	(475,998)
<u>2,570,290</u>	<u>(1,547,629)</u>	<u>1,022,661</u>	<u>3,046,288</u>
\$ <u>1,852,751</u>	\$ <u>(692,699)</u>	\$ <u>1,160,052</u>	\$ <u>2,570,290</u>

## 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, 2020

WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	2009 GENERAL OBLIGATION LIMITED TAX BONDS	2010 GENERAL OBLIGATION LIMITED TAX BONDS	2013 GENERAL OBLIGATION LIMITED TAX BONDS
ASSETS			
Cash	\$ -	\$ -	\$ 4,018
Assessments receivable	-	-	-
Due from other units	-	-	-
Prepaid items	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,018</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES			
Unavailable - special assessments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Restricted for debt service	-	-	4,018
	<u>-</u>	<u>-</u>	<u>4,018</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,018</u>

2015  
GENERAL  
OBLIGATION  
LIMITED  
TAX BONDS

\$ 19,265  
-  
-  
-  
            
\$ 19,265

\$            -

           -

19,265

\$ 19,265

2008 SERIES A  
SPECIAL  
ASSESSMENT  
BONDS

\$ -  
-  
-  
-  
            
\$ -

\$            -

           -

-

\$ -

2010  
SPECIAL  
ASSESSMENT  
BONDS

\$ 2,511  
-  
1,527  
-  
            
\$ 4,038

\$            -

           -

4,038

\$ 4,038

CITY OF LAPEER, MICHIGAN  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUNDS - Concluded  
 JUNE 30, 2020  
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	2011 SPECIAL ASSESSMENT BONDS	2005 EQUIPMENT FINANCING	2008 EQUIPMENT FINANCING	2017 GENERAL OBLIGATION BONDS
<b>ASSETS</b>				
Cash	\$ 56,545	\$ -	\$ -	\$ 13,735
Assessments receivable	2,765	-	-	-
Due from other units	1,498	-	-	-
Prepaid expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 60,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,735</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Due to other funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Special assessments	<u>2,765</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>				
Restricted for debt service	<u>58,043</u>	<u>-</u>	<u>-</u>	<u>13,735</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 60,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,735</u>



TOTAL DEBT SERVICE 2020	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR DEBT SERVICE 2020	TOTAL DEBT SERVICE 2019
\$ 96,074	\$ -	\$ 96,074	\$ 3,792,791
2,765	-	2,765	15,118
3,025	-	3,025	101,016
-	-	-	-
<u>101,864</u>	<u>-</u>	<u>101,864</u>	<u>3,908,925</u>
\$ -	\$ -	\$ -	\$ -
2,765	-	2,765	15,118
99,099	-	99,099	3,893,807
<u>101,864</u>	<u>-</u>	<u>101,864</u>	<u>3,908,925</u>

CITY OF LAPEER, MICHIGAN  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE  
 DEBT SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020  
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	2009 GENERAL OBLIGATION LIMITED TAX BONDS	2010 GENERAL OBLIGATION LIMITED TAX BONDS	2013 GENERAL OBLIGATION LIMITED TAX BONDS
REVENUES			
Taxes and special assessments	\$ -	\$ -	\$ -
Interest earnings	16,547	7	38
Other revenues	-	-	62,804
	<u>16,547</u>	<u>7</u>	<u>62,842</u>
TOTAL REVENUES	<u>16,547</u>	<u>7</u>	<u>62,842</u>
EXPENDITURES			
Debt Service			
Principal retirement		25,000	135,000
Interest and fiscal charges		1,600	4,540
Other expenditures	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>26,600</u>	<u>139,540</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>16,547</u>	<u>(26,593)</u>	<u>(76,698)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	25,380	75,365
Operating transfers out	(3,743,705)	-	-
	<u>(3,743,705)</u>	<u>25,380</u>	<u>75,365</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,743,705)</u>	<u>25,380</u>	<u>75,365</u>
NET CHANGE IN FUND BALANCE	(3,727,158)	(1,213)	(1,333)
FUND BALANCE, JULY 1	<u>3,727,158</u>	<u>1,213</u>	<u>5,351</u>
FUND BALANCE, JUNE 30	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,018</u>

2015 GENERAL OBLIGATION LIMITED TAX BONDS	2008 SERIES A SPECIAL ASSESSMENT BONDS	2010 SPECIAL ASSESSMENT BONDS
\$ -	\$ -	\$ 2,747
135	102	235
-	-	-
<u>135</u>	<u>102</u>	<u>2,982</u>
160,000		35,000
60,713		1,940
-	-	-
<u>220,713</u>	<u>-</u>	<u>36,940</u>
(220,578)	102	(33,958)
220,613	-	32,220
-	(14,642)	-
<u>220,613</u>	<u>(14,642)</u>	<u>32,220</u>
35	(14,540)	(1,738)
<u>19,230</u>	<u>14,540</u>	<u>5,776</u>
\$ <u><u>19,265</u></u>	\$ <u><u>-</u></u>	\$ <u><u>4,038</u></u>

**CITY OF LAPEER, MICHIGAN**  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
DEBT SERVICE FUNDS - Concluded  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	2011 SPECIAL ASSESSMENT BONDS	2005 EQUIPMENT FINANCING	2008 EQUIPMENT FINANCING
<b>REVENUES</b>			
Taxes and special assessments	\$ 9,751	\$ -	\$ -
Interest earnings	1,851	3	24
Other revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>11,602</u>	<u>3</u>	<u>24</u>
<b>EXPENDITURES</b>			
Debt Service			
Principal retirement	50,000	-	-
Interest and fiscal charges	6,125	-	-
Other expenditures	<u>-</u>	<u>483</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>56,125</u>	<u>483</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(44,523)</u>	<u>(480)</u>	<u>24</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>(3,936)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(3,936)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(44,523)	(480)	(3,912)
<b>FUND BALANCE, JULY 1</b>	<u>102,566</u>	<u>480</u>	<u>3,912</u>
<b>FUND BALANCE, JUNE 30</b>	\$ <u><u>58,043</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

2017 GENERAL OBLIGATION BONDS	TOTAL DEBT SERVICE 2020	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR DEBT SERVICE 2020	TOTAL DEBT SERVICE 2019
\$ -	\$ 12,498	\$ -	\$ 12,498	\$ 782,338
95	19,037	(16,547)	2,490	9,500
-	62,804	-	62,804	155,803
<u>95</u>	<u>94,339</u>	<u>(16,547)</u>	<u>77,792</u>	<u>947,641</u>
160,000	565,000	-	565,000	1,591,005
33,051	107,969	-	107,969	147,333
-	483	-	483	-
<u>193,051</u>	<u>673,452</u>	<u>-</u>	<u>673,452</u>	<u>1,738,338</u>
<u>(192,956)</u>	<u>(579,113)</u>	<u>(16,547)</u>	<u>(595,660)</u>	<u>(790,697)</u>
193,110	546,688	-	546,688	984,132
-	(3,762,283)	3,743,705	(18,578)	(395,869)
<u>193,110</u>	<u>(3,215,595)</u>	<u>3,743,705</u>	<u>528,110</u>	<u>588,263</u>
154	(3,794,708)	3,727,158	(67,550)	(202,434)
<u>13,581</u>	<u>3,893,807</u>	<u>(3,727,158)</u>	<u>166,649</u>	<u>4,096,241</u>
\$ <u><u>13,735</u></u>	\$ <u><u>99,099</u></u>	\$ <u><u>-</u></u>	\$ <u><u>99,099</u></u>	\$ <u><u>3,893,807</u></u>

## 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, 2020

WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	LAND ACQUISITION	CAPITAL IMPROVEMENT
ASSETS		
Cash	\$ 546,079	\$ 97,065
Investments	230,526	-
Accounts receivable	-	-
Due from other units	22,000	-
Land held for investment	<u>1,520,675</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,319,280</u>	<u>\$ 97,065</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ -	\$ 36,961
Due to other funds	<u>761,413</u>	<u>-</u>
TOTAL LIABILITIES	<u>761,413</u>	<u>36,961</u>
FUND BALANCE		
Assigned	<u>1,557,867</u>	<u>60,104</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,319,280</u>	<u>\$ 97,065</u>

TOTAL CAPITAL PROJECTS 2020	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR CAPITAL PROJECTS 2020	TOTAL CAPITAL PROJECTS 2019
\$ 643,144	\$ (546,079)	\$ 97,065	\$ 1,031,034
230,526	(230,526)	-	841,100
-	-	-	-
22,000	(22,000)	-	-
<u>1,520,675</u>	<u>(1,520,675)</u>	<u>-</u>	<u>1,520,675</u>
\$ <u><u>2,416,345</u></u>	\$ <u><u>(2,319,280)</u></u>	\$ <u><u>97,065</u></u>	\$ <u><u>3,392,809</u></u>
\$ 36,961	\$ -	\$ 36,961	\$ 31,752
<u>761,413</u>	<u>(761,413)</u>	<u>-</u>	<u>1,951,845</u>
<u>798,374</u>	<u>(761,413)</u>	<u>36,961</u>	<u>1,983,597</u>
<u>1,617,971</u>	<u>(1,557,867)</u>	<u>60,104</u>	<u>1,409,212</u>
\$ <u><u>2,416,345</u></u>	\$ <u><u>(2,319,280)</u></u>	\$ <u><u>97,065</u></u>	\$ <u><u>3,392,809</u></u>



CITY OF LAPEER, MICHIGAN  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE  
 CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020  
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	LAND ACQUISITION	CAPITAL IMPROVEMENT
REVENUES		
Interest	\$ 15,822	\$ 1,218
Other	<u>355,116</u>	<u>-</u>
TOTAL REVENUES	<u>370,938</u>	<u>1,218</u>
EXPENDITURES		
Capital outlay	10,500	121,172
Other	<u>52,300</u>	<u>8,411</u>
TOTAL EXPENDITURES	<u>62,800</u>	<u>129,583</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>308,138</u>	<u>(128,365)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	130,776
Operating transfers out	<u>(101,790)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(101,790)</u>	<u>130,776</u>
CHANGE IN FUND BALANCE	206,348	2,411
FUND BALANCE, JULY 1	<u>1,351,519</u>	<u>57,693</u>
FUND BALANCE, JUNE 30	<u>\$ 1,557,867</u>	<u>\$ 60,104</u>

TOTAL CAPITAL PROJECTS 2020	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR CAPITAL PROJECTS 2020	TOTAL CAPITAL PROJECTS 2019
\$ 17,040	\$ (15,822)	\$ 1,218	\$ 17,794
<u>355,116</u>	<u>(355,116)</u>	<u>-</u>	<u>475,480</u>
<u>372,156</u>	<u>(370,938)</u>	<u>1,218</u>	<u>493,274</u>
131,672	(10,500)	121,172	720,743
<u>60,711</u>	<u>(52,300)</u>	<u>8,411</u>	<u>95,909</u>
<u>192,383</u>	<u>(62,800)</u>	<u>129,583</u>	<u>816,652</u>
<u>179,773</u>	<u>(308,138)</u>	<u>(128,365)</u>	<u>(323,378)</u>
130,776	-	130,776	297,675
<u>(101,790)</u>	<u>101,790</u>	<u>-</u>	<u>(102,770)</u>
<u>28,986</u>	<u>101,790</u>	<u>130,776</u>	<u>194,905</u>
208,759	(206,348)	2,411	(128,473)
<u>1,409,212</u>	<u>(1,351,519)</u>	<u>57,693</u>	<u>1,537,685</u>
<u>\$ 1,617,971</u>	<u>\$ (1,557,867)</u>	<u>\$ 60,104</u>	<u>\$ 1,409,212</u>

## 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 STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2020  
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	MOTOR POOL	INFORMATION TECHNOLOGY
ASSETS		
CURRENT ASSETS		
Cash	\$ 324,296	\$ 311,161
Accounts receivable	1,128	-
Inventory	46,270	-
Prepaid items	<u>4,435</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>376,129</u>	<u>311,161</u>
CAPITAL ASSETS		
Land and improvements	37,958	-
Vehicles and equipment	4,353,844	152,933
Accumulated depreciation	<u>(2,718,022)</u>	<u>(111,308)</u>
NET CAPITAL ASSETS	<u>1,673,780</u>	<u>41,625</u>
TOTAL ASSETS	<u>\$ 2,049,909</u>	<u>\$ 352,786</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 31,556	\$ 6,317
Accrued payroll and related items	<u>5,063</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>36,619</u>	<u>6,317</u>
NET POSITION		
Net investment in capital assets	1,673,780	41,625
Net position	<u>339,510</u>	<u>304,844</u>
TOTAL NET POSITION	<u>2,013,290</u>	<u>346,469</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,049,909</u>	<u>\$ 352,786</u>

TELEPHONE  
COMMUNICATION

2020

TOTALS

2019

\$ 75,479  
-  
-  
-  
75,479  
  
-  
76,364  
(5,872)  
70,492  
\$ 145,971

\$ 710,936  
1,128  
46,270  
4,435  
762,769  
  
37,958  
4,583,141  
(2,835,202)  
1,785,897  
\$ 2,548,666

\$ 484,755  
-  
43,694  
4,457  
532,906  
  
32,198  
4,309,690  
(2,689,274)  
1,652,614  
\$ 2,185,520

\$ -  
-  
-  
  
70,492  
75,479  
145,971  
\$ 145,971

\$ 37,873  
5,063  
42,936  
  
1,785,897  
719,833  
2,505,730  
\$ 2,548,666

\$ 40,071  
3,591  
43,662  
  
1,652,614  
489,244  
2,141,858  
\$ 2,185,520

**CITY OF LAPEER, MICHIGAN**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	MOTOR POOL	INFORMATION TECHNOLOGY
OPERATING REVENUES		
Equipment rentals	\$ <u>1,202,750</u>	\$ <u>210,685</u>
OPERATING EXPENSES		
Salaries and wages	132,074	-
Fringe benefits	130,752	-
Office supplies	1,358	-
Operating supplies	225,448	-
Administrative fees	23,381	-
Professional and contractual services	11,651	-
Insurance and bonds	51,444	6,629
Public utilities	7,511	-
Repairs and maintenance	8,920	70,437
Rental	4,492	-
Miscellaneous	2,680	-
Depreciation	270,689	10,949
Operating maintenance	-	40,986
Conferences	-	-
TOTAL OPERATING EXPENSES	<u>870,400</u>	<u>129,001</u>
OPERATING INCOME	<u>332,350</u>	<u>81,684</u>
NONOPERATING REVENUE		
Interest income	360	3,733
Miscellaneous	8,155	-
Gain on sale of capital assets	18,348	-
TOTAL NONOPERATING REVENUE	<u>26,863</u>	<u>3,733</u>
OPERATING TRANSFERS		
Operating transfers in	10,000	-
Operating transfers out	-	(85,000)
TOTAL OPERATING TRANSFERS	<u>10,000</u>	<u>(85,000)</u>
CHANGE IN NET POSITION	369,213	417
NET POSITION, JULY 1	<u>1,644,077</u>	<u>346,052</u>
NET POSITION, JUNE 30	\$ <u><u>2,013,290</u></u>	\$ <u><u>346,469</u></u>

TELEPHONE COMMUNICATION	2020	TOTALS	2019
\$ <u>35,517</u>	\$ <u>1,448,952</u>	\$ <u>1,096,183</u>	
-	132,074	125,931	
-	130,752	124,732	
-	1,358	1,068	
-	225,448	240,258	
-	23,381	23,941	
-	11,651	10,538	
545	58,618	55,239	
18,846	26,357	27,276	
439	79,796	99,080	
-	4,492	5,573	
-	2,680	2,033	
5,091	286,729	281,949	
2,240	43,226	39,515	
-	-	755	
<u>27,161</u>	<u>1,026,562</u>	<u>1,037,888</u>	
<u>8,356</u>	<u>422,390</u>	<u>58,295</u>	
886	4,979	4,192	
-	8,155	-	
-	18,348	5,559	
<u>886</u>	<u>31,482</u>	<u>9,751</u>	
-	10,000	10,000	
<u>(15,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	
<u>(15,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	
(5,758)	363,872	(21,954)	
<u>151,729</u>	<u>2,141,858</u>	<u>2,163,812</u>	
\$ <u><u>145,971</u></u>	\$ <u><u>2,505,730</u></u>	\$ <u><u>2,141,858</u></u>	

CITY OF LAPEER, MICHIGAN  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	MOTOR POOL	INFORMATION TECHNOLOGY
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from interfund charges	\$ 1,198,315	\$ 210,685
Cash payment for goods and services	(334,292)	(121,698)
Cash payment for employees	<u>(261,354)</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>602,669</u>	<u>88,987</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	(402,296)	(17,714)
Sale of capital assets	18,348	-
Other items	<u>8,155</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(375,793)</u>	<u>(17,714)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>360</u>	<u>3,733</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	237,236	(9,994)
CASH AND CASH EQUIVALENTS, JULY 1	<u>87,060</u>	<u>321,155</u>
CASH AND CASH EQUIVALENTS, JUNE 30	\$ <u><u>324,296</u></u>	\$ <u><u>311,161</u></u>



TELEPHONE COMMUNICATION	2020	TOTAL	2019
\$ 35,517 (22,464) <u>-</u>	\$ 1,444,517 (478,454) <u>(261,354)</u>	\$ 1,101,848 (514,494) <u>(250,471)</u>	
<u>13,053</u>	<u>704,709</u>	<u>336,883</u>	
- <u>(15,000)</u>	10,000 <u>(100,000)</u>	10,000 <u>(100,000)</u>	
<u>(15,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	
- - <u>-</u>	(420,010) 18,348 <u>8,155</u>	(197,729) 19,130 <u>-</u>	
<u>-</u>	<u>(393,507)</u>	<u>(178,599)</u>	
<u>886</u>	<u>4,979</u>	<u>4,192</u>	
(1,061) <u>76,540</u>	226,181 <u>484,755</u>	72,476 <u>412,279</u>	
\$ <u>75,479</u>	\$ <u>710,936</u>	\$ <u>484,755</u>	

CITY OF LAPEER, MICHIGAN  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS - Concluded  
 FOR THE YEAR ENDED JUNE 30, 2020  
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	MOTOR POOL	INFORMATION TECHNOLOGY
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ <u>332,350</u>	\$ <u>81,684</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	270,689	10,949
(Increase) decrease in inventory	(2,576)	-
(Increase) decrease in accounts receivable	(1,128)	-
(Increase) decrease in prepaid expenses	20	-
Increase (decrease) in accounts payable	1,842	(3,646)
Increase (decrease) in accrued expenses	<u>1,472</u>	<u>-</u>
Total adjustments	<u>270,319</u>	<u>7,303</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>602,669</u></u>	\$ <u><u>88,987</u></u>

TELEPHONE  
COMMUNICATION

2020

TOTAL

2019

\$ 8,356

\$ 422,390

\$ 58,295

5,091

286,729

281,949

-

(2,576)

(4,004)

-

(1,128)

5,665

-

20

5,837

(394)

(2,198)

(11,051)

-

1,472

192

4,697

282,319

278,588

\$ 13,053

\$ 704,709

\$ 336,883

## 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, 2020  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	2020	2019
Assets		
Cash	\$ <u>11,253</u>	\$ <u>10,833</u>
Fund balance		
Committed for cemetery perpetual care	10,912	10,492
Assigned	<u>341</u>	<u>341</u>
Total fund balance	\$ <u>11,253</u>	\$ <u>10,833</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, 2020  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	2020	2019
REVENUES		
Donations and rights	\$ 420	\$ 580
Interest and rent	<u>131</u>	<u>97</u>
TOTAL REVENUES	<u>551</u>	<u>677</u>
OTHER FINANCING USES		
Operating transfers out	<u>(131)</u>	<u>(97)</u>
NET CHANGE IN FUND BALANCE	420	580
FUND BALANCE, JULY 1	<u>10,833</u>	<u>10,253</u>
FUND BALANCE, JUNE 30	<u>\$ 11,253</u>	<u>\$ 10,833</u>

**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, 2020, 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 17, 2020. The financial statements of Tax Increment Finance Authority, Brownfield Development, Local Development Finance Authority, or the Economic Development Corporation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Tax Increment Finance Authority, Brownfield Development, Local Development Finance Authority, or the Economic Development Corporation.

**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) as a basis for designing 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 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



SINGLE AUDIT

**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, 2020. 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, 2020.

**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

CITY OF LAPEER, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

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 Community Development Block Grant	14.228	MSC-218009-CPF		\$ 861,230
Home Investment Partnership Program	14.239	M-2015-0292		46,156
Section 8 Housing Choice Vouchers	14.871			<u>174,471</u>
				1,081,857
U.S. DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT				
Rural Housing Preservation Grant	10.433	0348-0004-10		<u>19,095</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Highway Planning And Construction	20.205	130854CON		<u>251,385</u>
				<u>\$ 1,352,337</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, 2020

**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 June 30, 2020. 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	\$ 3,383,634
State grants included on financial statements	<u>2,031,297</u>
Federal expenditures – SEFA	<u>\$ 1,352,337</u>

CITY OF LAPEER, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020

**Section I – Summary of Auditors' Results**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ No

Noncompliance material to financial statements noted? ☐ Yes ☒ No

***Federal Awards***

Internal control over major programs:

Material weakness identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ 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

