

CITY OF LAPEER, MICHIGAN
COUNTY OF LAPEER
COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016
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, 2016, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lapeer, Michigan as of June 30, 2016, 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.

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 16 and 82 through 89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lapeer, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements, general long-term debt, and capital assets schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, general long-term debt schedule, and capital assets schedule 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 and individual nonmajor fund financial statements 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 16, 2016, 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.



Certified Public Accountants

East Lansing, Michigan
December 16, 2016

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, 2016. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- State Revenue Sharing funds continued to be lower than historical levels. The City received \$728,231 in the current year compared to \$735,714 in the prior year, a decrease of \$7,483 or 1.0%. When compared to State Revenue Sharing received in FY 2001-2002, actual funds received in the current year were reduced from \$1,037,526 to \$728,231, a decrease of \$309,295 or 29.8%.
- The current year net City income tax revenue of \$3,012,134 was \$116,640 or 4.0% more than the prior year revenue of \$2,895,494.
- The current year City property tax revenue of \$2,588,382 was \$57,676 or 2.2% less than the prior year revenue of \$2,646,058.
- The current year General Fund interest on investments revenue of \$11,134 was \$502 or 4.7% more than the prior year revenue of \$10,632.
- Among other improvement projects, the City completed the Lincoln Street reconstruction (951,079), the M-24 Pedestrian Tunnel installation (\$100,834), the M24 water main replacement (458,181), the DeMille Street mill and re-surface (\$1,125,994) and the third phase of the Oregon Street reconstruction (\$1,333,676). The City also continued work on the M-24 Pedestrian Connection design/engineering and began the Calhoun Street mill and re-surface.
- There is a \$1,575,697 primary government prior period adjustment for land held for investment recorded in the previous year in the General Fixed Asset Group and a (\$59,294) governmental activities prior period adjustment for a transfer to the Downtown Development Authority for insurance proceeds recorded in General Fund in the previous year.
- The City's general obligation bond rating from Moody's Investor Services increased from A2 in the prior year to A1 in the current year while the Standard & Poor's rating remained stable at A+.
- The City did not issue any new debt in the current year.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

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

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

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

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

Reporting the City's Most Significant Funds

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

- *Governmental funds* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* - When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are usually reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities - such as the City's Motor Pool Fund.

The City as Trustee

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

THE CITY AS A WHOLE

Table 1 was summarized from the government-wide Statement of Net Position and provides a comparison between the current and prior years. The City's combined net position for the primary government decreased from \$73,835,739 to \$72,096,382, a decrease of \$1,739,357 or 2.4%. In the prior year the net position decreased from \$82,423,200 to \$73,835,739, a decrease of \$8,587,461 or 10.4%. The net position for the governmental activities decreased from \$50,108,738 to \$48,185,153, a decrease of \$1,923,585 or 3.8%. In the prior year the net position decreased from \$58,276,059 to \$50,108,738, a decrease of \$8,167,321 or 14.0%. The net position for the business-type activities increased from \$23,727,001 to \$23,911,229, an increase of \$184,228 or 0.8%. In the prior year the net position decreased from \$24,147,141 to \$23,727,001, a decrease of \$420,140 or 1.7%.

Table 1
Net Position
(In Millions)

	<u>Governmental Activities</u> 2016	<u>Business-type Activities</u> 2016	<u>Total Primary Government</u> 2016
Current assets	\$14.0	\$ 4.4	\$18.4
Non-current assets	60.2	28.7	88.9
Deferred outflows	<u>2.6</u>	<u>0.0</u>	<u>2.6</u>
Total assets	<u>76.8</u>	<u>33.1</u>	<u>109.9</u>
Long-term debt outstanding	6.9	6.6	13.5
Other liabilities	<u>20.6</u>	<u>2.7</u>	<u>23.3</u>
Total liabilities	<u>27.5</u>	<u>9.3</u>	<u>36.8</u>
Net assets:			
Deferred inflows	1.1	0.0	1.1
Invested in capital assets, Net of debt	51.8	21.1	72.9
Restricted	0.0	0.0	0.0
Unrestricted (deficit)	<u>(3.6)</u>	<u>2.8</u>	<u>(0.8)</u>
Total net assets	<u>\$49.3</u>	<u>\$23.9</u>	<u>\$73.2</u>
	<u>Governmental Activities</u> 2015	<u>Business-type Activities</u> 2015	<u>Total Primary Government</u> 2015
Current assets	\$17.2	\$5.2	\$22.4
Non-current assets	59.6	28.0	87.6
Deferred Outflows	<u>0.8</u>	<u>0.0</u>	<u>0.8</u>
Total assets	<u>77.6</u>	<u>33.2</u>	<u>110.8</u>
Long-term debt outstanding	8.6	7.0	15.6
Other liabilities	<u>18.9</u>	<u>2.5</u>	<u>21.4</u>
Total liabilities	<u>27.5</u>	<u>9.5</u>	<u>37.0</u>
Net assets:			
Invested in capital assets, Net of debt	50.5	21.1	71.6
Restricted	0.0	0.0	0.0
Unrestricted (deficit)	<u>(0.4)</u>	<u>2.6</u>	<u>2.2</u>
Total net assets	<u>\$50.1</u>	<u>\$23.7</u>	<u>\$73.8</u>

Table 2 was summarized from the government-wide Statement of Activities and provides a comparison between the current and prior years. Total revenue from all sources totaled \$20.9 million of which \$13.2 million was from governmental activities and \$7.7 million was from business-type activities. In the prior year, total revenue from all sources totaled \$19.4 million of which \$12.6 million was from governmental activities and \$6.8 million was from business-type activities. The total revenue from all sources increased \$1.5 million or 7.5%.

Table 2
Changes in Net Position
(In Millions)

	<u>Governmental Activities</u> 2016	<u>Business-Type Activities</u> 2016	<u>Total Primary Government</u> 2016
Revenues:			
Program revenues:			
Charges for services	\$2.9	\$7.1	\$10.0
Operating grants and contributions	2.8	0.6	3.4
General revenues:			
Taxes	5.7	0.0	5.7
State shared revenue	0.7	0.0	0.7
Other	<u>1.1</u>	<u>0.0</u>	<u>1.1</u>
Total Revenues	<u>13.2</u>	<u>7.7</u>	<u>20.9</u>
Expenses:			
General government	\$2.1	\$0.0	\$2.1
Public safety	4.5	0.0	4.5
Public works	1.1	0.0	1.1
Community development and enrichment	0.9	0.0	0.9
Highway and streets	2.7	0.0	2.7
Culture and recreation	2.3	0.0	2.3
Other	1.7	0.0	1.7
Interest on long-term debt	0.3	0.0	0.3
Water	0.0	3.0	3.0
Wastewater	0.0	4.3	4.3
Parking	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Expenses	<u>15.6</u>	<u>7.3</u>	<u>22.9</u>
Change in net Position			
Before transfers	(2.4)	0.4	(2.0)
Transfers	<u>0.5</u>	<u>(0.5)</u>	<u>0.0</u>
Change in Net Position	(1.9)	(0.1)	(2.0)
Net position, July 1	50.1	23.7	73.8
Prior period adjustment	<u>(0.1)</u>	<u>0.4</u>	<u>0.3</u>
Net position, June 30	<u>\$48.1</u>	<u>\$24.0</u>	<u>\$72.1</u>

Table 2
Changes in Net Position
(In Millions)

	<u>Governmental</u> <u>Activities</u> 2015	<u>Business-Type</u> <u>Activities</u> 2015	<u>Total</u> <u>Primary</u> <u>Government</u> 2015
Revenues:			
Program revenues:			
Charges for services	\$2.8	\$6.7	\$9.5
Operating grants and contributions	2.6	0.1	2.7
General revenues:			
Taxes	5.7	0.0	5.7
State shared revenue	0.7	0.0	0.7
Other	<u>0.8</u>	<u>0.0</u>	<u>0.8</u>
Total Revenues	<u>12.6</u>	<u>6.8</u>	<u>19.4</u>
Expenses:			
General government	\$2.4	\$0.0	\$2.4
Public safety	3.9	0.0	3.9
Public works	1.8	0.0	1.8
Community development and enrichment	0.8	0.0	0.8
Highway and streets	2.5	0.0	2.5
Culture and recreation	2.0	0.0	2.0
Other	1.0	0.0	1.0
Interest on long-term debt	0.3	0.0	0.3
Water	0.0	2.9	2.9
Wastewater	0.0	4.3	4.3
Parking	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Expenses	<u>14.7</u>	<u>7.2</u>	<u>21.9</u>
Change in net position			
Before transfers	(2.1)	(0.4)(2.5)	
Transfers	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Change in Net Position	(2.1)	(0.4)(2.5)	
Net position, July 1	58.3	24.1	82.4
Prior period adjustment	<u>(6.1)</u>	<u>0.0</u>	<u>(6.1)</u>
Net position, June 30	<u>\$50.1</u>	<u>\$23.7</u>	<u>\$73.8</u>

Governmental Activities

The net position for the governmental activities decreased from \$50,108,738 to \$48,185,153, a decrease of \$1,923,585 or 3.8%. In the prior year, the net position decreased from \$58,276,059 to \$50,108,738, a decrease of \$8,167,321 or 14.0%.

The governmental activities revenue of \$13.2 million reflects an increase of \$0.6 million or 4.7% from the prior year. The governmental activities received \$5.7 million or 43.1 % from taxes. 21.9% of governmental activity was funded from charges for services and 5.3% was funded by state shared revenue. 21.2% of governmental activity was funded from operating grants and contributions. The remaining 8.5% of revenue was from unrestricted investment earnings and other revenue.

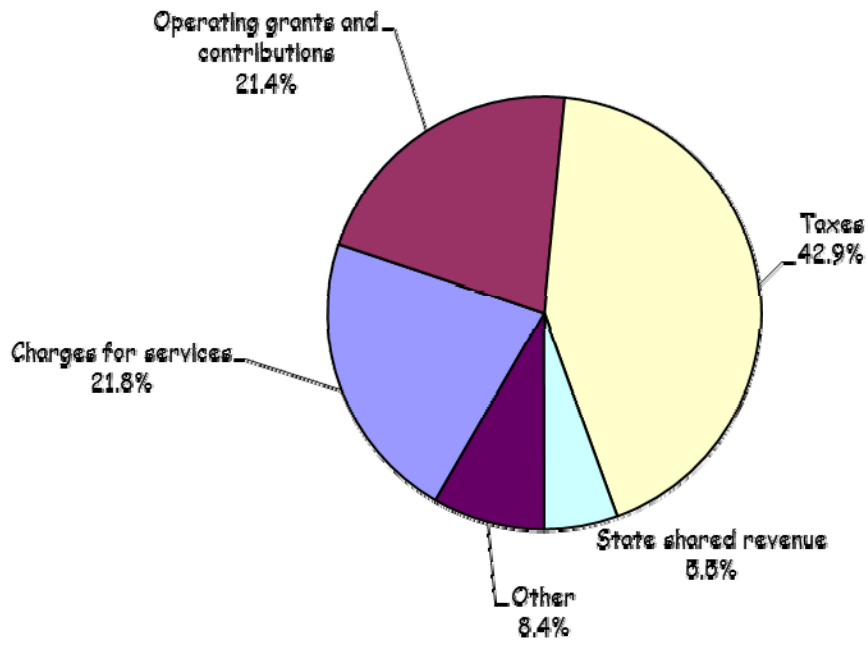
The governmental activities of the city had an expense of \$15.6 million dollars for the past fiscal year. Due to utilizing full accrual on the government-wide statements, the expenditures for capital assets including infrastructure are not recorded as expenses in the current year but are capitalized 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 \$15.6 million for governmental activities was 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 \$2.1 million, public safety at \$4.5 million, public works at \$1.1 million, community development and enrichment at \$0.9 million, highway and streets at \$2.7 million, culture and recreation at \$2.3 million, other at \$1.7 million and interest on long-term debt at \$0.3 million. The program revenues received as a percentage of the expense for these activities were 57.4% for general government, 11.7% for public safety, 0.0% for public works, 61.5% for community development and enrichment, 77.6% for highways and streets, 59% for culture and recreation, 0.0% for other and 0.0% for interest on long-term debt.

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

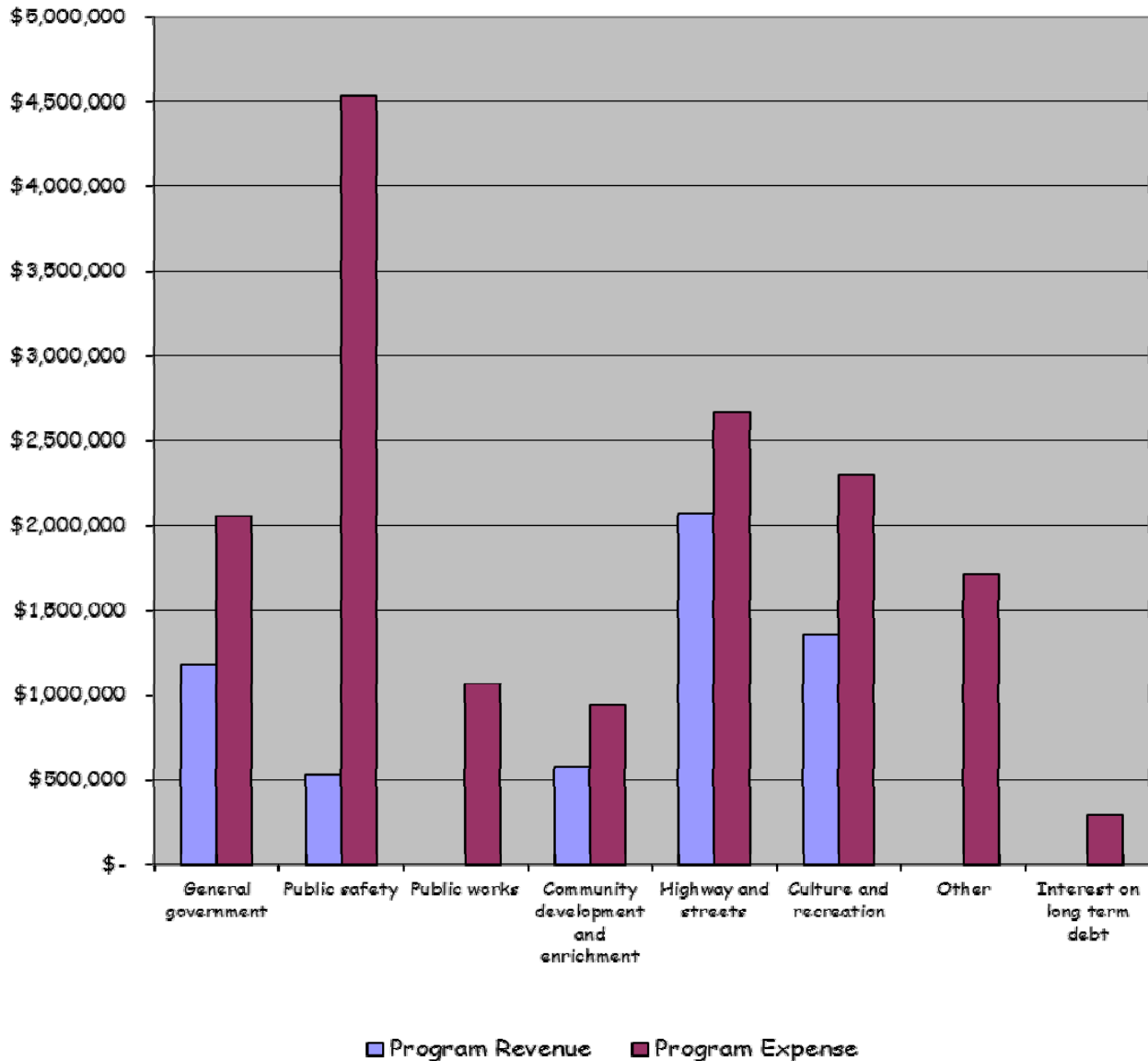
FY 2015-2016

Revenues by Source - Governmental Activities



FY 2015-2016

Expenses and Program Revenues - Governmental Activities



Business-type Activities

The net position of the City's business-type activities increased from \$23,727,001 to \$23,911,229, an increase of \$184,228 or 0.8%. In the prior year, the net position of the City's business-type activities decreased from \$24,147,141 to \$23,727,001, a decrease of \$420,140 or 1.7%.

The business-type activities revenue of \$7.7 million reflects an increase of \$0.9 million or 13.2% from the prior year. The business-type activities received \$7.1 million or 92.2% from charges for services and \$0.6 million or 7.8% from operating grants and contributions.

The Water Fund total operating expenses were \$3.0 million compared to \$3.1 million in program revenues. The City is a member of the Greater Lapeer County Utilities Authority (G.L.C.U.A.) which purchases its water from the Detroit Water System. The current year purchase of water increased by \$198,510 from the prior year of \$1,342,551 to \$1,541,061. This represented 51.3% of the fund's operating expenses. The City last increased its rates to customers effective for billings on or after August 1, 2015. The flat monthly charge was \$6.31 and the volume charge was \$6.05.

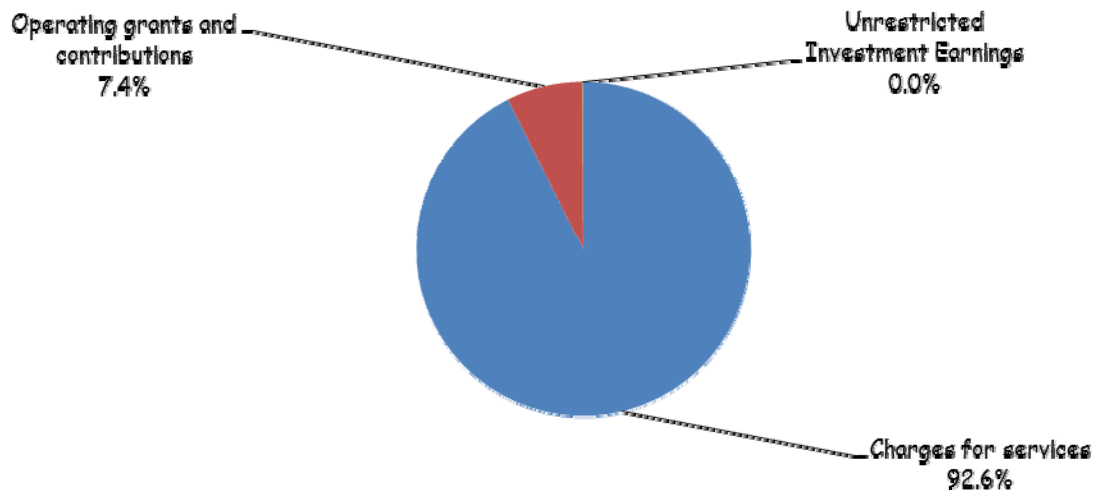
The Wastewater Fund total operating expenses were \$4.3 million compared to \$4.5 million in program revenues. The City last increased its rates to customers effective for billings on or after August 1, 2015. The flat monthly charge was \$11.32 and the volume charge was \$8.23.

The Parking Fund had program revenues of \$18,270 and expenses of \$51,525.

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

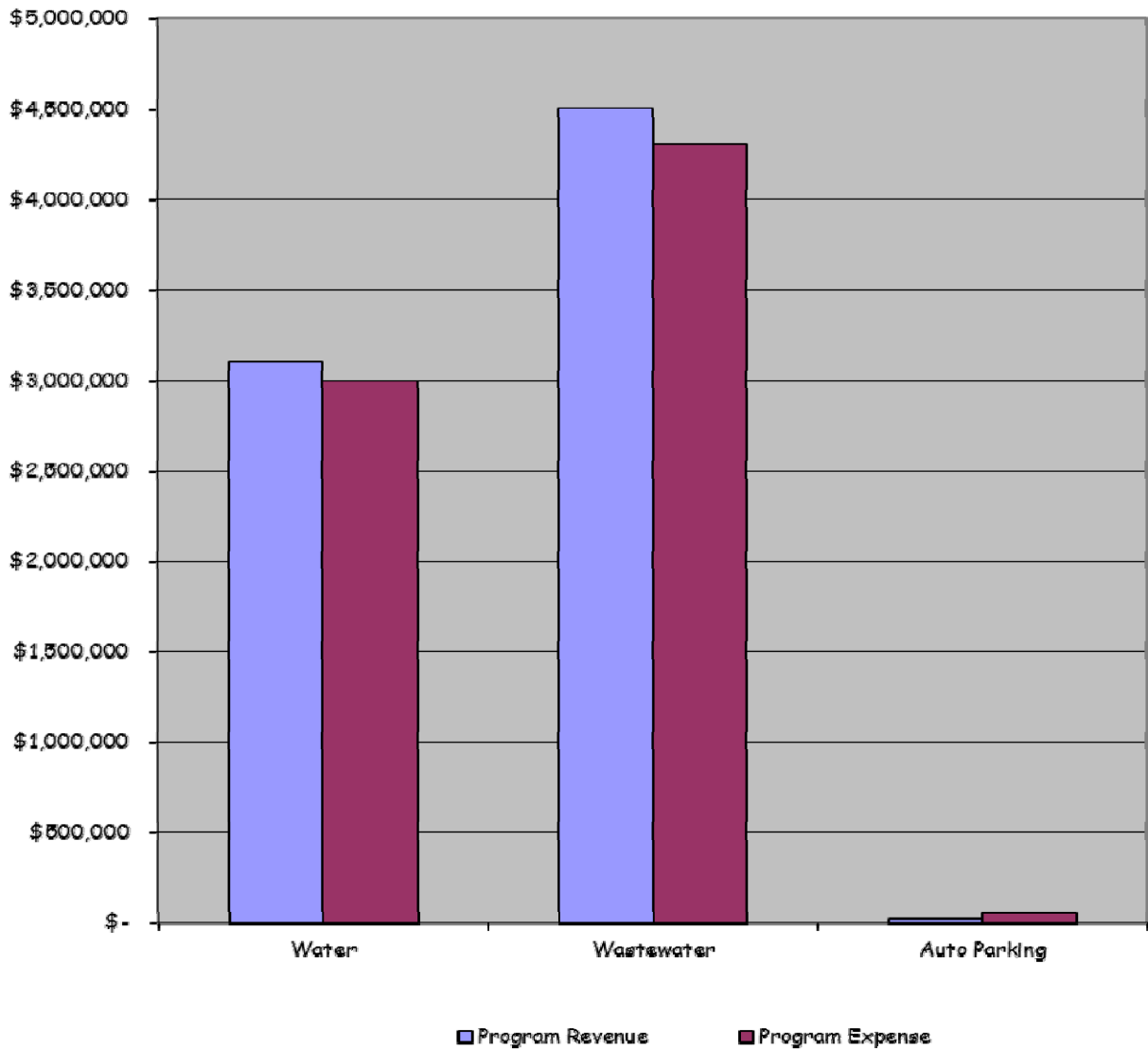
FY 2015-2016

Revenues by Source - Business-type Activities



FY 2015-2016

Expense and Program Revenues - Business-type Activities



THE CITY'S FUNDS

The General Fund revenue was \$8.4 million, a decrease of \$0.2 million from the prior year. The expenditures were \$8.2 million compared to \$7.7 million the prior year. The net transfers to other funds were \$0.5 million compared to \$0.7 million the prior year. The unassigned fund balance decreased from \$2,639,447 to \$2,444,698, a decrease of \$194,749 or 7.3%. In the prior year, the unassigned fund balance increased from \$2,591,378 to \$2,639,447, an increase of \$48,069 or 1.9%.

The Major Street Fund receives revenues from grants, donations, and transfers from bond construction funds which vary greatly from year to year. Total revenues in the current year were \$1.8 million, the expenditures were \$2.3 million and the net transfers in were \$0.0 million. The assigned fund balance decreased from \$889,010 to \$421,518, a decrease of \$467,492 or 52.5%. In the prior year, the assigned fund balance increased from \$103,790 to \$889,010, an increase of \$795,220 or 766.2%.

The Local Street Fund receives revenues from grants, donations and transfers from bond construction funds which vary greatly from year to year. Total revenues in the current year were \$0.2 million, the expenditures were \$0.8 million and the net transfers in were \$0.0 million. The assigned fund balance decreased from \$579,149 to \$128,874, a decrease of \$450,275 or 77.7%. In the prior year, the assigned fund balance increased from \$269,295 to \$579,149, an increase of \$309,854 or 115.1%.

The Parks and Recreation Fund current year revenues were \$1.4 million, the expenditures were \$1.8 million and the net transfers in were \$0.5 million. The assigned fund balance decreased from \$354,558 to \$340,674, an increase of \$13,884 or 3.9%. In the prior year, the assigned fund balance increased from \$224,373 to \$354,558, an increase of \$130,185 or 58.0%.

The Land Acquisition Fund current year revenues were \$0.6 million, the expenditures were \$0.3 million and the net transfers in were \$0.0 million. There was a prior period adjustment of \$1,168,598 for land held for investment recorded in the previous year in the General Fixed Asset Group. The assigned fund balance increased from \$(934,350) to \$454,823, an increase of \$1,389,173 or 148.6%. In the prior year, the assigned fund balance decreased from \$(820,564) to \$(934,350), a decrease of \$113,786 or 13.9%.

General Fund Budgetary Highlights

The difference between the General Fund original and amended budgets were expenditure increases totaling \$135,115 or 1.4% of the total originally budgeted and detailed as follows:

- \$2,696 increase to the Fire Department Budget for Fire Prevention activities funded from donations received in prior years.
- \$78,700 increase to the Department of Public Works for installation of a traffic signal on Genesee Street to be billed back to the Wal-Mart Corporation.
- \$36,719 to Contributions to Component Units and \$17,000 to Contributions to Townships to reflect property tax revenues captured in the Local Development Finance Authority district over the budgeted levy amount.

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, 2016 was \$86,897,818 (net of accumulated depreciation). This is an increase of \$850,716 over the prior year amount of \$86,047,102. This investment in capital assets includes land, buildings, infrastructure systems and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Lapeer's investment in capital assets for the current fiscal year was 0.9% (a 1.3% increase for governmental activities of \$799,484 over the prior year amount of \$57,974,433 and a 0.1% increase for business-type activities of \$51,232 over the prior year amount of \$28,072,669).

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

- Projects continued/completed included Lincoln Street reconstruction (\$951,079), M-24 water main replacement (\$458,181), M-24 pedestrian tunnel (\$100,834), DeMille Street mill and resurface (\$1,125,994), Oregon Street improvements III (\$1,333,676), Saginaw Street bridge maintenance (\$18,107), Farmers Creek river bank improvements (\$21,586), Building Department office exterior renovations (\$17,850), Public Safety building roof replacement (\$74,131), Cramton and Rowden Parks tennis courts resurface (\$10,385), Rowden Park tennis court lights upgrade (\$5,075), Pix Theatre fire damage restoration (\$206,573) and M-24 pedestrian connection design (\$15,374). Projects started included Calhoun Street mill and resurface, Genesee Street/Wal-Mart traffic signal and 1-million water storage tank and pumps.
- Equipment purchases included thermal imaging camera (\$13,081), John Deere Gator (\$5,673), 2016 Ford Explorer Ltd (\$30,848), 2015 GMC Sierra 4x4 pickup (\$26,940), bullet-proof vest replacements (\$15,749), Case backhoe (\$118,528), Building Department BS&A software upgrade (\$8,255), two 2016 Ford Explorers (\$29,439 each), in-car video with body camera (\$13,136), 2016 Kenworth dump truck (\$159,377), Fire Department Surface Pro tablets/cases/software (6 @ \$8,719/each) and Hydro-Tek power washer (\$12,249).
- Equipment dispositions included (sale price in parenthesis) rebuilt centrifuge (\$23,600), 2002 GMC pickup truck (\$9,000), Caterpillar tractor (\$40,500), 1998 Ford dump truck cab (\$5,000), dump truck equipment (\$600), 2000 Sterling dump truck (\$29,045), radar speed trailer (\$150), 2005 Chevrolet Impala (\$3,500). 2008 Buick Enclave (\$3,750) and a Chevrolet police car (\$5,200).

Debt

At year-end, the City of Lapeer's total bonded debt outstanding was at \$13.6 million versus \$15.5 million last year - a decrease of \$1,979,958 or 12.7% - as shown in Table 3.

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

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds (backed by the City)	\$ 6.1	\$ 7.4	\$ 0.0	\$ 0.0	\$ 6.1	\$ 7.4
Special assessment bonds (with city commitment)	\$ 0.4	\$ 0.5	\$ 0.0	\$ 0.0	\$ 0.4	\$ 0.5
Revenue bonds and notes (backed by specific tax and fee revenues)	<u>\$ 0.5</u>	<u>\$ 0.6</u>	<u>\$ 6.6</u>	<u>\$ 7.0</u>	<u>\$ 7.1</u>	<u>\$ 7.6</u>
Totals	<u>\$ 7.0</u>	<u>\$ 8.5</u>	<u>\$ 6.6</u>	<u>\$ 7.0</u>	<u>\$ 13.6</u>	<u>\$ 15.5</u>

The City issued no new debt in the current year.

None of the component units had any outstanding debt as of the year ended 06/30/2016.

The City's general obligation bond rating from Moody's Investor Services increased from A2 in the prior year to 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 \$29.1 million state-imposed limit.

Other obligations include accrued vacation and sick leave of \$524,085. More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the City of Lapeer's budget for Fiscal Year 2015-2016:

- The unemployment rate for the County of Lapeer was at 5.1% for June 2016, a decrease of 22.7% from the prior year-end unemployment rate of 6.6%.
- Inflationary trends and economic development in the region compare favorably to national indices.

The current year unassigned fund balance for the General Fund decreased from \$2,639,447 to \$2,444,698, a decrease of \$194,749 or 7.3%. In the prior year, the unassigned fund balance increased from \$2,591,378 to \$2,639,447, an increase of \$48,069 or 1.2%. The current year unassigned fund balance of \$2,444,698 is \$278,917 higher than the \$2,165,781 projected during the fiscal year 2015-2016 budget review. The City of Lapeer anticipates using \$891,404 of fund balance in FY 2016-2017.

The City of Lapeer will return contributed capital of \$250,000 to the General Fund from the Wastewater Fund as part of the FY 2016-2017 budget. Additionally, the City maintained the same 9.80 property tax millage rate in the current year as in the prior year. Half of one mill of this millage rate is allocated to the Local Street Fund and half of one mill to the Capital Improvement Fund.

Requests for Information

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

GENERAL PURPOSE FINANCIAL STATEMENTS

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

CITY OF LAPEER, MICHIGAN
STATEMENT OF NET POSITION
JUNE 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash	\$ 8,886,589	\$ 1,077,954	\$ 9,964,543	\$ 1,581,389
Investments	1,671,650	378,350	2,050,000	
Receivables				
Notes				180,813
Land contract	232,958		232,958	
Taxes	101,802		101,802	
Accounts	87,933	720,313	808,246	20
Special assessments	2,631,437		2,631,437	
Deposits		900	900	
Due from				
Other funds		2,148,015	2,148,015	
State	269,928		269,928	
Other governmental units	14,263		14,263	10,640
Inventory	85,262	104,883	190,145	
Noncurrent assets				
Land held for investment	1,168,598	579,595	1,748,193	
Land contract	232,958		232,958	
Fixed assets not being depreciated	25,036,625	21,295	25,057,920	375,174
Fixed assets (net of accumulated depreciation)	<u>33,737,292</u>	<u>28,102,606</u>	<u>61,839,898</u>	<u>3,358,774</u>
TOTAL ASSETS	<u>74,157,295</u>	<u>33,133,911</u>	<u>107,291,206</u>	<u>5,506,810</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	2,576,141		2,576,141	
Prepaid expenses	<u>113,575</u>	<u>28,225</u>	<u>141,800</u>	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,689,716</u>	<u>28,225</u>	<u>2,717,941</u>	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 76,847,011</u>	<u>\$ 33,162,136</u>	<u>\$ 110,009,147</u>	<u>\$ 5,506,810</u>

See accompanying notes to financial statements.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
LIABILITIES				
Current liabilities				
Payables				
Accounts	\$ 707,922	\$ 341,548	\$ 1,049,470	\$
Payroll and payroll taxes	83,272	16,720	99,992	
Due to				
Other units	88,861		88,861	5,371
Other funds	2,026,024		2,026,024	
Accrued interest	28,819		28,819	
Deposits payable	28,500		28,500	4,132
Bonds and notes payable	1,576,553	385,000	1,961,553	
Accrued sick and vacation pay	94,792		94,792	
Noncurrent liabilities				
Bonds and notes payable	5,380,470	6,251,650	11,632,120	
Net OPEB obligation	9,066,986		9,066,986	
Unfunded retiree health insurance	8,005,610	2,255,989	10,261,599	
Accrued sick and vacation pay	429,293		429,293	
TOTAL LIABILITIES	27,517,102	9,250,907	36,768,009	9,503
DEFERRED INFLOWS OF RESOURCES				
Unearned rent	226,200		226,200	
Pension	918,556		918,556	
TOTAL DEFERRED INFLOWS OF RESOURCES	1,144,756		1,144,756	
NET POSITION				
Net investment in capital assets	51,816,894	21,121,708	72,938,602	3,733,948
Unrestricted	(3,631,741)	2,789,521	(842,220)	1,763,359
TOTAL NET POSITION	48,185,153	23,911,229	72,096,382	5,497,307
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 76,847,011	\$ 33,162,136	\$ 110,009,147	\$ 5,506,810

CITY OF LAPEER, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Primary Government			
Governmental Activities			
General government	\$ 2,057,631	\$ 942,403	\$ 239,196
Public safety	4,531,541	489,575	40,659
Public works	820,074		
Community development and enrichment	1,192,767	324,155	256,862
Highways and streets	2,674,146		2,075,783
Culture and recreation	2,301,645	1,122,354	224,363
Other	1,718,130		
Interest on long-term debt	297,205		
Total Governmental Activities	15,593,139	2,878,487	2,836,863
Business-Type Activities			
Water	3,000,402	3,090,826	18,913
Wastewater	4,309,455	3,972,181	532,119
Auto parking	51,525	5,209	13,061
Total Business-Type Activities	7,361,382	7,068,216	564,093
Total Primary Government	\$ 22,954,521	\$ 9,946,703	\$ 3,400,956
Component Units			
Tax Increment Finance Authority	\$ 1,222,422	\$	\$
Brownfield Redevelopment	3,216		
Downtown Development Authority	285,411		123,599
Local Development Finance Authority	226,231		
Economic Development Corporation	258		
Total Component Units	\$ 1,737,538	\$	\$ 123,599
General Revenues			
Property taxes levied for general purposes			
Miscellaneous			
State revenue sharing			
Gain on sale of fixed assets			
Unrestricted investment earnings			
Transfers			
Total General Revenues and Transfers			
Change in Net Position			
Equity transfer			
Prior period adjustment			
Net Position, July 1			
Net Position, June 30			

See accompanying notes to financial statements.

NET (EXPENSE) REVENUE AND
CHANGES IN NET POSITION

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTAL	
\$	\$ (876,032)	\$	\$ (876,032)	\$
	(4,001,307)		(4,001,307)	
	(820,074)		(820,074)	
	(611,750)		(611,750)	
	(598,363)		(598,363)	
	(954,928)		(954,928)	
	(1,718,130)		(1,718,130)	
	(297,205)		(297,205)	
	<u>(9,877,789)</u>		<u>(9,877,789)</u>	
		109,337	109,337	
		194,845	194,845	
		<u>(33,255)</u>	<u>(33,255)</u>	
		270,927	270,927	
\$	<u>(9,877,789)</u>	<u>270,927</u>	<u>(9,606,862)</u>	
\$				(1,222,422)
				(3,216)
				(161,812)
				(226,231)
				<u>(258)</u>
\$				<u>(1,613,939)</u>
	5,691,253		5,691,253	1,559,151
	1,028,985	4,179	1,033,164	131,168
	728,231		728,231	
	91,600	21,830	21,830	
	523,599	3,792	95,392	2,670
	<u>8,063,668</u>	<u>(523,599)</u>	<u>7,569,870</u>	<u>1,692,989</u>
	(1,814,121)	(222,871)	(2,036,992)	79,050
	(50,170)		(50,170)	50,170
	(59,294)	407,099	347,805	
	50,108,738	23,727,001	73,835,739	5,368,087
\$	<u>48,185,153</u>	<u>23,911,229</u>	<u>72,096,382</u>	<u>5,497,307</u>

2009 GENERAL OBLIGATION LIMITED TAX BOND	LAND ACQUISITION	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 3,555,022	\$ 990,809 669,631	\$ 1,239,022	\$ 8,030,330 1,671,650
			101,802
2,466,796		63,516 164,641	87,933 2,631,437
112,117		9,874 25,783	124,339 269,928
	1,168,598		14,263 37,107 1,168,598
<u>6,133,935</u>	<u>2,829,038</u>	<u>1,502,836</u>	<u>14,137,387</u>
		<u>5,166</u>	<u>108,830</u>
 <u><u>\$ 6,133,935</u></u>	 <u><u>\$ 2,829,038</u></u>	 <u><u>\$ 1,508,002</u></u>	 <u><u>\$ 14,246,217</u></u>

CITY OF LAPEER, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS - Concluded
JUNE 30, 2016

	GENERAL	MAJOR STREET	PARKS AND RECREATION
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Payables			
Accounts	\$ 117,136	\$ 66,940	\$ 47,746
Payroll and payroll taxes	59,178	1,044	16,995
Due to			
Other units	88,861		
Other funds			
Prepaid lease			
Deposits payable	<u>28,500</u>		
TOTAL LIABILITIES	<u>293,675</u>	<u>67,984</u>	<u>64,741</u>
DEFERRED INFLOWS OF RESOURCES			
Special assessment deferred revenue			
FUND BALANCE			
Nonspendable for receivables	19,243		
Committed for cemetery perpetual care			
Nonspendable for prepaid expenses	85,602		
Nonspendable for inventory	37,107		
Restricted for debt service			
Assigned			
Special revenue funds		421,518	340,674
Capital projects funds			
Permanent fund			
Unassigned, reported in			
Capital projects funds			
General fund	<u>2,444,698</u>		
TOTAL FUND BALANCE	<u>2,586,650</u>	<u>421,518</u>	<u>340,674</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 2,880,325</u>	<u>\$ 489,502</u>	<u>\$ 405,415</u>

See accompanying notes to financial statements.

2009 GENERAL OBLIGATION LIMITED TAX BOND	LAND ACQUISITION	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$	\$	\$ 420,849	\$ 652,671
		3,498	80,715
	2,148,015	2,348	88,861
	226,200		2,150,363
			226,200
			28,500
	<u>2,374,215</u>	<u>426,695</u>	<u>3,227,310</u>
<u>2,466,796</u>		<u>164,641</u>	<u>2,631,437</u>
			19,243
		8,742	8,742
			85,602
3,667,139		416,903	37,107
			4,084,042
		452,632	1,214,824
		38,048	38,048
		341	341
	454,823		454,823
			<u>2,444,698</u>
<u>3,667,139</u>	<u>454,823</u>	<u>916,666</u>	<u>8,387,470</u>
<u>\$ 6,133,935</u>	<u>\$ 2,829,038</u>	<u>\$ 1,508,002</u>	<u>\$ 14,246,217</u>

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CITY OF LAPEER, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balances - governmental funds	\$	8,387,470
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 \$85,620,083 and the accumulated depreciation is \$27,828,260.		
Internal fixed assets	\$ 57,791,823	
	982,094	58,773,917
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.		
		851,351
Net pension liability is not due and payable in the current period and is not reported in the funds		
		(9,066,986)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows (inflows) of resources in the statement of net position, but are reported as expenses in the governmental funds		
		1,657,585
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.		
		(8,005,610)
Long-term assets, including notes receivable and land contracts, are not receivable in the current period and therefore are not reported as assets in the funds.		
		465,916
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	\$ 28,819	
Bonds and notes payable	6,957,023	
Compensated absences	524,085	(7,509,927)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		2,631,437
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u><u>48,185,153</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, 2016

	GENERAL	MAJOR STREET	PARKS AND RECREATION
REVENUES			
Taxes and special assessments	\$ 5,691,253	\$	\$
Licenses and permits	17,418		
Intergovernmental	928,412	1,791,084	
Charges for services	1,402,716		1,063,322
Fines and forfeits	34,193		
Interest and rentals	29,211	964	67,378
Contribution from component units	239,196	41,419	224,363
Other revenues	60,245	320	13,805
TOTAL REVENUES	<u>8,402,644</u>	<u>1,833,787</u>	<u>1,368,868</u>
EXPENDITURES			
General government	1,668,731		
Public safety	3,871,995		
Public works	905,661		
Culture and recreation			1,872,752
Health and welfare			
Community development and enrichment	587,966		
Debt service			
Principal retirement			
Interest and fiscal charges			
Other	1,190,296		
Highways and streets		2,255,363	
Capital outlay			
TOTAL EXPENDITURES	<u>8,224,649</u>	<u>2,255,363</u>	<u>1,872,752</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>177,995</u>	<u>(421,576)</u>	<u>(503,884)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	642,560		500,000
Operating transfers out	<u>(1,098,455)</u>	<u>(45,916)</u>	<u>(10,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(455,895)</u>	<u>(45,916)</u>	<u>490,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(277,900)</u>	<u>(467,492)</u>	<u>(13,884)</u>
RESIDUAL EQUITY TRANSFER	<u>(50,170)</u>		
PRIOR PERIOD ADJUSTMENT	<u>(59,294)</u>		
FUND BALANCE, JULY 1	<u>2,974,014</u>	<u>889,010</u>	<u>354,558</u>
FUND BALANCE, JUNE 30	<u>\$ 2,586,650</u>	<u>\$ 421,518</u>	<u>\$ 340,674</u>

See accompanying notes to financial statements.

2009 GENERAL OBLIGATION LIMITED TAX BOND	LAND ACQUISITION	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,318,158	\$	\$ 110,827	\$ 7,120,238
			17,418
		203,278	2,922,774
		383,612	2,849,650
			34,193
5,067	3,714	3,370	109,704
		149,186	654,164
	563,723	325,345	963,438
<u>1,323,225</u>	<u>567,437</u>	<u>1,175,618</u>	<u>14,671,579</u>
			1,668,731
		6,423	3,878,418
			905,661
			1,872,752
		147,489	147,489
		308,217	896,183
645,000		1,020,647	1,665,647
88,161		203,023	291,184
		4,636	1,194,932
		789,191	3,044,554
	306,244	216,954	523,198
<u>733,161</u>	<u>306,244</u>	<u>2,696,580</u>	<u>16,088,749</u>
<u>590,064</u>	<u>261,193</u>	<u>(1,520,962)</u>	<u>(1,417,170)</u>
130,817	22,200	1,267,520	2,563,097
<u>(404,400)</u>	<u>(62,818)</u>	<u>(242,909)</u>	<u>(1,864,498)</u>
<u>(273,583)</u>	<u>(40,618)</u>	<u>1,024,611</u>	<u>698,599</u>
316,481	220,575	(496,351)	(718,571)
			(50,170)
	1,168,598		1,109,304
<u>3,350,658</u>	<u>(934,350)</u>	<u>1,413,017</u>	<u>8,046,907</u>
\$ <u><u>3,667,139</u></u>	\$ <u><u>454,823</u></u>	\$ <u><u>916,666</u></u>	\$ <u><u>8,387,470</u></u>

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CITY OF LAPEER, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Net changes in fund balances - total governmental funds	\$	(718,571)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Expenditures for capital assets		3,522,892
Less: current year depreciation		(2,723,408)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,465,908)
<p>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.</p>		
Unfunded retiree health insurance		(985,925)
Accrued interest		(6,021)
Principal payments		1,665,647
<p>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.</p>		
Change in long-term compensated absences		2,736
<p>Increase in pension liability reported in the statement of activities does not require the use of resources, and therefore is not reported in the fund statements until it comes due for payment</p>		
		(960,326)
<p>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.</p>		
		<u>(145,237)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(1,814,121)</u></u>

See accompanying notes to financial statements.

CITY OF LAPEER, MICHIGAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 129,197	\$ 559,818
Investments		378,350
Accounts receivable		403,195
Deposits		900
Inventory		
Land held for investment		579,595
Due from other funds		933,653
	<u>129,197</u>	<u>2,855,511</u>
TOTAL CURRENT ASSETS	<u>129,197</u>	<u>2,855,511</u>
PROPERTY, PLANT AND EQUIPMENT		
Construction in progress		
Land and improvements	1,298,101	436,664
Buildings and structures		19,444,057
Infrastructure		11,114,154
Vehicles and equipment		1,371,887
	<u>1,298,101</u>	<u>32,366,762</u>
Less: accumulated depreciation	569,564	12,756,999
	<u>728,537</u>	<u>19,609,763</u>
NET PROPERTY, PLANT AND EQUIPMENT	<u>728,537</u>	<u>19,609,763</u>
TOTAL ASSETS	<u>857,734</u>	<u>22,465,274</u>
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid expenses		19,363
	<u></u>	<u>19,363</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 857,734</u>	<u>\$ 22,484,637</u>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

GOVERNMENTAL
ACTIVITIES

WATER SUPPLY	TOTAL			INTERNAL SERVICE FUNDS	
	2016		2015	2016	2015
\$ 388,939	\$ 1,077,954	\$ 729,717	\$ 856,259	\$ 797,137	
	378,350	223,395		253,650	
317,118	720,313	687,356		7,384	
	900	900			
104,883	104,883	97,002	48,155	39,014	
	579,595				
<u>1,214,362</u>	<u>2,148,015</u>	<u>3,423,822</u>			
<u>2,025,302</u>	<u>5,010,010</u>	<u>5,162,192</u>	<u>904,414</u>	<u>1,097,185</u>	
21,295	21,295	498,219			
69,850	1,804,615	1,804,615	22,328	22,328	
228,512	19,672,569	19,692,567			
12,400,382	23,514,536	21,936,441			
<u>265,905</u>	<u>1,637,792</u>	<u>1,653,292</u>	<u>3,253,051</u>	<u>3,068,426</u>	
12,985,944	46,650,807	45,585,134	3,275,379	3,090,754	
<u>5,200,343</u>	<u>18,526,906</u>	<u>17,512,465</u>	<u>2,293,285</u>	<u>2,337,180</u>	
<u>7,785,601</u>	<u>28,123,901</u>	<u>28,072,669</u>	<u>982,094</u>	<u>753,574</u>	
9,810,903	33,133,911	33,234,861	1,886,508	1,850,759	
<u>8,862</u>	<u>28,225</u>	<u>30,686</u>	<u>4,745</u>	<u>4,936</u>	
<u>\$ 9,819,765</u>	<u>\$ 33,162,136</u>	<u>\$ 33,265,547</u>	<u>\$ 1,891,253</u>	<u>\$ 1,855,695</u>	

CITY OF LAPEER, MICHIGAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - Concluded
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
LIABILITIES, NET POSITION AND CONTRIBUTED CAPITAL		
CURRENT LIABILITIES		
Accounts payable	\$	\$ 60,683
Accrued payroll and related items		12,084
Performance bonds payable		
Bonds payable		385,000
TOTAL CURRENT LIABILITIES		457,767
LONG-TERM LIABILITIES		
Unfunded retiree health insurance	162,025	1,441,168
Bonds payable		6,251,650
TOTAL LONG-TERM LIABILITIES	162,025	7,692,818
TOTAL LIABILITIES	162,025	8,150,585
NET POSITION AND CONTRIBUTED CAPITAL		
CONTRIBUTED CAPITAL		
Municipality	330,000	
Federal		549,999
TOTAL CONTRIBUTED CAPITAL	330,000	549,999
NET POSITION		
Invested in capital assets, net of related debt	728,537	12,973,113
Restricted for		
Prepaid expenses		19,363
Inventory		
Unrestricted	(362,828)	791,577
TOTAL NET POSITION	365,709	13,784,053
TOTAL NET POSITION AND CONTRIBUTED CAPITAL	695,709	14,334,052
TOTAL LIABILITIES, NET POSITION AND CONTRIBUTED CAPITAL	\$ 857,734	\$ 22,484,637

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

GOVERNMENTAL
ACTIVITIES

WATER SUPPLY	TOTAL		INTERNAL SERVICE FUNDS	
	2016	2015	2016	2015
\$ 280,865	\$ 341,548	\$ 585,987	\$ 55,251	\$ 98,336
4,636	16,720	49,052	2,557	7,197
	385,000	375,000		
<u>285,501</u>	<u>743,268</u>	<u>1,011,039</u>	<u>57,808</u>	<u>105,533</u>
652,796	2,255,989	1,951,546		
	6,251,650	6,575,961		
<u>652,796</u>	<u>8,507,639</u>	<u>8,527,507</u>		
<u>938,297</u>	<u>9,250,907</u>	<u>9,538,546</u>	<u>57,808</u>	<u>105,533</u>
	330,000	580,000		
	549,999	796,305		
	<u>879,999</u>	<u>1,376,305</u>		
7,785,601	21,487,251	21,121,708	982,094	753,574
8,862	28,225	30,686	4,745	4,936
104,883	104,883	97,002	48,155	39,014
982,122	1,410,871	1,101,300	798,451	952,638
<u>8,881,468</u>	<u>23,031,230</u>	<u>22,350,696</u>	<u>1,833,445</u>	<u>1,750,162</u>
<u>8,881,468</u>	<u>23,911,229</u>	<u>23,727,001</u>	<u>1,833,445</u>	<u>1,750,162</u>
<u>\$ 9,819,765</u>	<u>\$ 33,162,136</u>	<u>\$ 33,265,547</u>	<u>\$ 1,891,253</u>	<u>\$ 1,855,695</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
OPERATING REVENUES		
Charges for services	\$ 5,209	\$ 3,972,181
Miscellaneous		1,883
Intergovernmental	13,061	532,119
Equipment rentals		
	<u>18,270</u>	<u>4,506,183</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Salaries and wages	2,711	543,569
Fringe benefits	18,318	816,973
Office supplies	354	11,179
Operating supplies		88,864
Administrative fees		247,662
Professional and contractual services		610,379
Printing		2,271
Insurance and bonds		42,433
Public utilities		171,085
Repairs and maintenance		63,320
Rentals	4,872	207,209
Miscellaneous		11,926
Property taxes		114,398
Special assessment		424,051
Depreciation	25,270	782,724
Capital outlay		
Conferences		2,325
	<u>51,525</u>	<u>4,140,368</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	<u>(33,255)</u>	<u>365,815</u>
NONOPERATING REVENUES (EXPENSES)		
Interest earned	329	1,900
Gain on sale of fixed assets		21,830
Interest expense		(169,087)
	<u>329</u>	<u>(145,357)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

WATER SUPPLY	TOTAL		INTERNAL SERVICE FUNDS	
	2016	2015	2016	2015
\$ 3,090,826	\$ 7,068,216	\$ 6,681,414		
2,296	4,179	4,425		
18,913	564,093	157,947		
			1,070,282	1,127,767
<u>3,112,035</u>	<u>7,636,488</u>	<u>6,843,786</u>	<u>1,070,282</u>	<u>1,127,767</u>
239,843	786,123	813,747	117,135	104,929
262,117	1,097,408	904,653	125,150	84,339
13,285	24,818	33,321	698	778
1,654,484	1,743,348	1,614,109	209,328	235,902
268,126	515,788	599,735	21,038	18,980
38,148	648,527	163,301	11,935	9,821
1,755	4,026			
6,211	48,644	45,377	43,331	69,192
13,352	184,437	196,567	24,582	12,594
20,411	83,731	161,753	104,859	115,895
78,006	290,087	274,015	4,663	5,633
21,598	33,524	250,823	2,739	1,511
48,114	162,512	162,765		
91,304	515,355	719,194		
241,945	1,049,939	1,030,590	173,740	182,560
		91,792	29,198	25,580
1,703	4,028	5,759	614	535
<u>3,000,402</u>	<u>7,192,295</u>	<u>7,067,501</u>	<u>869,010</u>	<u>868,249</u>
<u>111,633</u>	<u>444,193</u>	<u>(223,715)</u>	<u>201,272</u>	<u>259,518</u>
1,563	3,792	2,895	2,574	2,756
	21,830		54,437	10,268
	<u>(169,087)</u>	<u>(178,337)</u>		
<u>1,563</u>	<u>(143,465)</u>	<u>(175,442)</u>	<u>57,011</u>	<u>13,024</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS - Concluded
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
INCOME (LOSS) BEFORE OPERATING TRANSFERS	\$ (32,926)	\$ 220,458
OPERATING TRANSFERS		
Operating transfers in	40,509	
Operating transfers out		(467,733)
NET INCOME (LOSS)	7,583	(247,275)
NET POSITION, JULY 1	358,126	13,127,923
ADD DEPRECIATION OF FIXED ASSETS ACQUIRED BY GRANTS, ENTITLEMENTS AND SHARED REVENUE EXTERNALLY RESTRICTED FOR CAPITAL ACQUISITIONS AND CONSTRUCTION THAT REDUCES CONTRIBUTED CAPITAL		246,306
REDUCTION OF CONTRIBUTED CAPITAL		250,000
PRIOR PERIOD ADJUSTMENT		407,099
NET POSITION, JUNE 30	\$ 365,709	\$ 13,784,053

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

WATER SUPPLY	2016	TOTAL	2015	INTERNAL SERVICE FUNDS 2016	2015
\$ 113,196	\$ 300,728	\$	(399,157)	\$ 258,283	\$ 272,542
6,404	46,913	1,315,052	1,315,052	10,000	10,000
<u>(102,779)</u>	<u>(570,512)</u>	<u>(1,342,350)</u>	<u>(1,342,350)</u>	<u>(185,000)</u>	<u>(185,000)</u>
16,821	(222,871)	(426,455)	(426,455)	83,283	97,542
8,864,647	22,350,696	22,274,530	22,274,530	1,750,162	1,652,620
	246,306	246,306	246,306		
	250,000	250,000	250,000		
	<u>407,099</u>	<u>6,315</u>	<u>6,315</u>		
<u>\$ 8,881,468</u>	<u>\$ 23,031,230</u>	<u>\$ 22,350,696</u>	<u>\$ 22,350,696</u>	<u>\$ 1,833,445</u>	<u>\$ 1,750,162</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTEWATER TREATMENT PLANT
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 5,209	\$ 3,989,684
Cash received from intergovernmental activity	13,061	1,045,322
Cash received from interfund charges		
Cash payment for goods and services	(5,226)	(2,087,110)
Cash payment for employees	<u>(21,074)</u>	<u>(1,099,354)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(8,030)</u>	<u>1,848,542</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in	40,509	
Operating transfers out		<u>(467,733)</u>
NET CASH PROVIDED BY (USED IN) NON- CAPITAL FINANCING ACTIVITIES	<u>40,509</u>	<u>(467,733)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment for capital acquisitions		(388,352)
Principal payments		(375,000)
Proceeds from bonds		60,689
Sale of capital assets		21,830
(Increase) decrease in investments		(154,955)
(Increase) decrease in land held for investment		(172,496)
Interest and fiscal charges paid		<u>(169,087)</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES		<u>(1,177,371)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>329</u>	<u>1,900</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,808	205,338
CASH AND CASH EQUIVALENTS, JULY 1	<u>96,389</u>	<u>354,480</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 129,197</u>	<u>\$ 559,818</u>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
WATER SUPPLY	TOTAL		INTERNAL SERVICE FUNDS	
	2016	2015	2016	2015
\$ 3,044,545	\$ 7,039,438	\$ 6,946,298	\$	\$
766,550	1,824,933			
(2,402,381)	(4,494,717)	(6,604,765)	1,077,666	1,120,383
(490,992)	(1,611,420)	(1,508,525)	(295,669)	(454,900)
			(456,276)	(188,555)
<u>917,722</u>	<u>2,758,234</u>	<u>(1,166,992)</u>	<u>325,721</u>	<u>476,928</u>
6,404	46,913	1,315,052	10,000	10,000
(102,779)	(570,512)	(1,342,350)	(185,000)	(185,000)
<u>(96,375)</u>	<u>(523,599)</u>	<u>(27,298)</u>	<u>(175,000)</u>	<u>(175,000)</u>
(712,819)	(1,101,171)	(569,444)	(412,493)	(352,528)
	(375,000)	(365,000)		
	60,689			
	21,830		64,670	26,002
	(154,955)	867,941	253,650	(253,650)
	(172,496)			
	(169,087)	(178,337)		
<u>(712,819)</u>	<u>(1,890,190)</u>	<u>(244,840)</u>	<u>(94,173)</u>	<u>(580,176)</u>
1,563	3,792	2,895	2,574	2,756
110,091	348,237	(1,436,235)	59,122	(275,492)
<u>278,848</u>	<u>729,717</u>	<u>2,165,952</u>	<u>797,137</u>	<u>1,072,629</u>
\$ <u>388,939</u>	\$ <u>1,077,954</u>	\$ <u>729,717</u>	\$ <u>856,259</u>	\$ <u>797,137</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - Concluded
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	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>(33,255)</u>	\$ <u>365,815</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	25,270	782,724
Gain on sale of fixed assets		
Retiree health insurance		283,096
(Increase) decrease in inventory		
(Increase) decrease in accounts receivable		15,620
(Increase) decrease in prepaid expenses		1,531
(Increase) decrease in due from other funds		513,203
(Increase) decrease in deposits		
(Increase) decrease in due from other units		
Increase (decrease) in accounts payable		(91,539)
Increase (decrease) in due to other funds		
Increase (decrease) in accrued expenses	(45)	(21,908)
Increase (decrease) in performance bonds payable		
	<u>25,225</u>	<u>1,482,727</u>
Total adjustments		
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	\$ <u><u>(8,030)</u></u>	\$ <u><u>1,848,542</u></u>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
WATER SUPPLY	2016	TOTAL 2015	2016	2015
\$ <u>111,633</u>	\$ <u>444,193</u>	\$ <u>(223,715)</u>	\$ <u>201,272</u>	\$ <u>259,518</u>
241,945	1,049,939	1,030,590	173,740	182,560
21,347	304,443	188,793		(10,268)
(7,881)	(7,881)	1,656	(9,141)	(314)
(48,577)	(32,957)	39,852	7,384	(7,384)
930	2,461	1,623	191	189
762,604	1,275,807	(2,117,952)		
		62,660		
(152,900)	(244,439)	(150,942)	(43,085)	51,914
(10,379)	(32,332)	1,943	(4,640)	713
<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,500)</u>		
<u>806,089</u>	<u>2,314,041</u>	<u>(943,277)</u>	<u>124,449</u>	<u>217,410</u>
\$ <u><u>917,722</u></u>	\$ <u><u>2,758,234</u></u>	\$ <u><u>(1,166,992)</u></u>	\$ <u><u>325,721</u></u>	\$ <u><u>476,928</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	PAYROLL CLEARING	TAX COLLECTION	EMPLOYEE HEALTH CARE	TOTAL
ASSETS				
Cash	\$ 174,727	\$	\$ 196,642	\$ 371,369
Investment			794,097	794,097
Accounts receivable		121,991		121,991
Prepaid expenses			48,346	48,346
	<u>174,727</u>	<u>121,991</u>	<u>1,039,085</u>	<u>1,335,803</u>
TOTAL ASSETS	\$ <u>174,727</u>	\$ <u>121,991</u>	\$ <u>1,039,085</u>	\$ <u>1,335,803</u>
 LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 167,697	\$	\$ 1,039,085	\$ 1,206,782
Undistributed taxes	7,030			7,030
Due to other funds		121,991		121,991
	<u>174,727</u>	<u>121,991</u>	<u>1,039,085</u>	<u>1,335,803</u>
TOTAL LIABILITIES	\$ <u>174,727</u>	\$ <u>121,991</u>	\$ <u>1,039,085</u>	\$ <u>1,335,803</u>

See accompanying notes to financial statements.

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CITY OF LAPEER, MICHIGAN
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2016

	DOWNTOWN DEVELOPMENT AUTHORITY	BROWNFIELD REDEVELOPMENT
ASSETS		
Cash	\$ 91,451	\$ 545
Account receivable	20	
Note receivable		
Due from other units	743	
Capital assets not being depreciated	154,000	
Capital assets (net of accumulated depreciation)	<u>542,690</u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 788,904</u></u>	<u><u>\$ 545</u></u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$	\$
Due to other units		
Security deposits payable	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u> </u>	<u> </u>
 NET POSTION		
Net investment in capital assets	696,690	
Assigned	<u>92,214</u>	<u>545</u>
TOTAL NET POSITION	<u>788,904</u>	<u>545</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 788,904</u></u>	 <u><u>\$ 545</u></u>

See accompanying notes to financial statements.

TAX INCREMENT FINANCE AUTHORITY	ECONOMIC DEVELOPMENT CORPORATION	LOCAL DEVELOPMENT FINANCE AUTHORITY	TOTAL
\$ 1,167,525	\$ 4,815	\$ 317,053	\$ 1,581,389
180,813			20
9,897			180,813
14,400		206,774	10,640
<u>2,816,084</u>	<u> </u>	<u> </u>	<u>3,358,774</u>
<u>\$ 4,188,719</u>	<u>\$ 4,815</u>	<u>\$ 523,827</u>	<u>\$ 5,506,810</u>
\$ 5,371	\$	\$	\$ 5,371
<u>4,132</u>	<u> </u>	<u> </u>	<u>4,132</u>
<u>9,503</u>	<u> </u>	<u> </u>	<u>9,503</u>
2,830,484		206,774	3,733,948
<u>1,348,732</u>	<u>4,815</u>	<u>317,053</u>	<u>1,763,359</u>
<u>4,179,216</u>	<u>4,815</u>	<u>523,827</u>	<u>5,497,307</u>
<u>\$ 4,188,719</u>	<u>\$ 4,815</u>	<u>\$ 523,827</u>	<u>\$ 5,506,810</u>

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
\$	\$	\$ (1,222,422)	\$	\$	\$ (1,222,422)
(161,812)	(3,216)				(3,216)
				(226,231)	(161,812)
			(258)		(226,231)
(161,812)	(3,216)	(1,222,422)	(258)	(226,231)	(1,613,939)
82,819	2,701	1,106,541		367,090	1,559,151
85,533		45,635			131,168
145		2,092		433	2,670
168,497	2,701	1,154,268		367,523	1,692,989
6,685	(515)	(68,154)	(258)	141,292	79,050
50,170					50,170
732,049	1,060	4,247,370	5,073	382,535	5,368,087
\$ 788,904	\$ 545	\$ 4,179,216	\$ 4,815	\$ 523,827	\$ 5,497,307

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CITY OF LAPEER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

Reporting Entity

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

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

Discretely Presented Component Units

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

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

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

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government of the City of Lapeer and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for services. The primary government of the City of Lapeer is reported separately from certain legally separate component units for which the City of Lapeer, the primary government, is financially accountable.

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

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

Measurement Focus, Basis of Accounting, and Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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.

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

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

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

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

The 2015 General Obligation Construction Fund accounts for bonds received for construction projects.

The City of Lapeer reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

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

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

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

Budgets and Budgetary Accounting

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

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

Receivables

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

Inventories

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

The inventory of supplies held by the Water Supply System, Motor Pool, and General fund as of June 30, 2016 were determined by physical count and valued at cost.

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

Capital Assets

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

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

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

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

Capital Assets - Concluded

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

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

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

Long-Term Liabilities

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

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

Estimates

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

Deposits and Investments

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

Restricted Assets

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

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

Cash and Cash Equivalents

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

NOTE 2: **PROPERTY TAXES**

Property tax revenues for 2015 reflected in the accompanying financial statements include property taxes levied July 1, 2015, and substantially collected at June 30, 2016.

The total 2015 levy for the City was \$2,292,543 which was based upon the taxable value as of March 1, 2015 of \$233,933,001 at a millage rate of 9.8 mills.

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on July 1, and are payable by July 31. The City bills and collects its own property taxes. The City is permitted by the City Charter to levy taxes up to \$1.00 per \$100.00 of assessed valuation for general governmental services, other than the payment of principal and interest on long-term debt, and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2016, was \$0.98 per \$100.00, which means that the City has a tax margin of \$0.02 per \$100 and could raise up to \$44,625 additional tax per year from the present taxable value of \$223,124,281 before the limit is reached.

The City levied the following millage for fiscal year 15-16:

General Governmental Services	8.800
Local Street	.500
Capital Improvement Fund	<u>.500</u>
	<u>9.800</u>

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

Accrued vacation and sick leave is recorded as a governmental fund liability at June 30, 2016, to the extent that it is to be liquidated with expendable available financial resources within the current operating cycle. Vacation and sick leave earned as of June 30, 2016, but not liquidated within the current operating cycle is recorded in the General Long-Term Debt Account Group.

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

Union employees hired after July 1, 1988, except for AFSCME (which is January 11, 1989), and non-union employees hired after November 1, 1988 earn sick days at the rate of one day per month. Unused sick days may be accumulated by an employee with no limitations and with no payment of unused sick leave upon termination of employment except for Teamsters employees hired after 1988.

Such Teamsters employees shall receive a twenty-five percent payout of all unused accumulated sick time up to a cap for payout purposes of one hundred twenty days (maximum payout therefore possible of thirty days) for qualifying retirees, layoffs or death while employed only.

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

NOTE 4: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

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

During the year the City did incur expenditures in excess of the budget.

	BUDGET	ACTUAL	VARIANCE
Mt. Hope Cemetery	\$ 147,232	\$ 147,489	\$(257)

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2016 are as follows:

FUND	DUE FROM	FUND	DUE TO
General	\$ 2,348	2015 Special Assessment Bond	\$ 182
	<u> </u>	Capital improvement	<u>2,166</u>
Subtotal	<u>2,348</u>	Subtotal	<u>2,348</u>
Local Street	\$ 1,029	Tax Collection	\$ 121,991
2009 General Obligation Bond	112,117		
2006 Special Assessment Bond	3,985		
2007 Special Assessment Bond	200		
2008A Special Assessment Bond	490		
2009 Special Assessment Bond	2,368		
2011 Special Assessment Bond	<u>1,802</u>		<u> </u>
Subtotal	<u>121,991</u>	Subtotal	<u>121,991</u>
Wastewater	933,653	Land Acquisition	2,148,015
Water	<u>1,214,362</u>		<u> </u>
Subtotal	<u>2,148,015</u>	Subtotal	<u>2,148,015</u>
TOTAL	<u>\$ 2,272,354</u>	TOTAL	<u>\$ 2,272,354</u>

RECONCILIATION TO STATEMENTS

	DUE FROM	DUE TO
Government funds	\$ 124,339	\$ 2,150,363
Proprietary funds		
Business-type	2,148,015	
Fiduciary	<u> </u>	<u>121,991</u>
	2,272,354	2,272,354
Elimination of		
Government funds activity	(<u>124,339</u>)	(<u>124,339</u>)
Government wide and fiduciary total	<u>\$ 2,148,015</u>	<u>\$ 2,148,015</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, 2016:

FUND	TRANSFERS IN	FUND	TRANSFERS OUT
Local Street	187,000	General	\$ 1,098,455
Park	500,000		
Cemetery	115,155		
Building Department	6,781		
Site Plan Review	3,475		
Police K-9	2,515		
2013 General Obligation Bond	12,290		
2001 Building Authority Bond	101,969		
2008 Equipment Financing Debt	16,761		
Capital Improvement	112,000		
Parking	<u>40,509</u>		<u> </u>
Subtotal	<u>1,098,455</u>	Subtotal	<u>1,098,455</u>
General	9,410	Local Street	94,492
2006 General Obligation Bond	61,769		
2007 General Obligation Bond	3,931		
2008A General Obligation Bond	14,702		
2015 General Obligation Bond	<u>4,680</u>		<u> </u>
Subtotal	<u>94,492</u>	Subtotal	<u>94,492</u>
2010 General Obligation Bond	24,489	Major Street	45,916
2015 General Obligation Bond	12,017		
General	<u>9,410</u>		<u> </u>
Subtotal	<u>45,916</u>	Subtotal	<u>45,916</u>
2015 General Obligation Bond	<u>33,689</u>	2016 General Obligation Construction	<u>33,689</u>
General	410,000	Wastewater	467,733
2009 General Obligation Bond	45,729		
2015 General Obligation Bond	<u>12,004</u>		<u> </u>
Subtotal	<u>467,733</u>	Subtotal	<u>467,733</u>
2009 General Obligation Bond	85,088	Water	102,779
2015 General Obligation Bond	<u>17,691</u>		<u> </u>
Subtotal	<u>102,779</u>	Subtotal	<u>102,779</u>

NOTE 6: **OPERATING TRANSFERS** – Concluded

2001 Building Authority Bond	\$ <u>30,272</u>	Capital Improvement	\$ <u>30,272</u>
General	213,740	Site Plan Review	8,740
		Housing Resource	20,000
		Motorpool	85,000
		Information Technology	85,000
		Telephone	<u>15,000</u>
Subtotal	<u>213,740</u>	Subtotal	<u>213,740</u>
Cemetery	<u>27</u>	Cemetery Perpetual Care	<u>27</u>
2008 General Obligation Bond	<u>404,400</u>	2009 General Obligation Bond	<u>404,400</u>
2013 General Obligation Bond	<u>62,818</u>	Land Acquisition	<u>62,818</u>
2001 Building Authority Bond	<u>27,085</u>	Oakdale	<u>27,085</u>
Land Acquisition	<u>22,200</u>	Building Department	<u>22,200</u>
Water	<u>6,404</u>	Site Plan Review	<u>6,404</u>
Motorpool	<u>10,000</u>	Park	<u>10,000</u>
TOTAL	<u>\$ 2,620,010</u>	TOTAL	<u>\$ 2,620,010</u>

RECONCILIATION TO STATEMENTS

	TRANSFERS IN	TRANSFERS OUT
Governmental funds	\$ 2,563,097	\$ 1,864,498
Proprietary funds		
Business-type	46,913	570,512
Internal service	<u>10,000</u>	<u>185,000</u>
TOTAL	<u>\$ 2,620,010</u>	<u>\$ 2,620,010</u>

These transfers were made for cash flow purposes.

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

The cash equity of the various funds at June 30, 2016 is as follows:

FUND	COMMON CASH	OTHER CASH	INVESTMENTS	TOTAL
General	\$ 1,480,273	\$ 25,104	\$ 1,002,019	\$ 2,507,396
Local Street	456,491			456,491
Parks and Recreation	366,247	20,536		386,783
Oakdale Development	62,959			62,959
Youth Mini-Grant	566			566
Local Development				
Finance Authority		317,053		317,053
Drug Law Enforcement	8,436			8,436
D.A.R.E.	6,973			6,973
Public Safety Training	486			486
Mt. Hope Cemetery	66,741			66,741
Economic Development				
Corporation		4,815		4,815
Downtown Development				
Authority		91,451		91,451
Building Department	149,195			149,195
General Forfeiture	10,605			10,605
Police K-9 Program	12,313			12,313
Tax Increment				
Finance Authority		1,167,525		1,167,525
Parking Fund	129,197			129,197
2010 Special Assessment Bond		100,721		100,721
2010 General Obligation				
Limited Tax Bond		1,208		1,208
2006 Special Assessment Bond		1,095		1,095
2007 Special Assessment Bond		81,532		81,532
Mobile Training Unit	2,815			2,815
Telephone Communication	133,811			133,811
Housing Resource	36,858			36,858
2001 Building Authority Bond		13		13
Site Plan Review	7,261			7,261
2007 General Obligation				
Limited Tax Bond		16,368		16,368
2008 General Obligation				
Limited Tax Bond		185		185
2008A General Obligation,				
Limited Tax Bond		4,298		4,298
2008A Equipment				
Financing Debt Fund		2		2
Land Acquisition	990,809		669,631	1,660,440
2011 Special Assessment Bond		140,007		140,007
Waste Water Treatment Plant	559,818		378,350	938,168
Major Street	353,317			353,317
2006 General Obligation				
Limited Tax Bond		2		2
2013 General Obligation				
Limited Tax Bond		6,844		6,844
2015 General Obligation				
Limited Tax Bond		19,168		19,168

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

FUND	COMMON CASH	OTHER CASH	INVESTMENTS	TOTAL
Water Supply	\$ 388,839	\$ 100	\$	\$ 388,939
Motor Pool	452,061			452,061
Mt. Hope Cemetery Perpetual Care	9,083			9,083
Information Technology	270,387			270,387
2009 General Obligation Limited Tax Bonds		3,555,022		3,555,022
2005 Equipment Financing Debt Fund		114		114
2008A Special Assessment Bond		25,112		25,112
2008 Equipment Financing Debt Fund		11,571		11,571
Payroll Clearing	174,727			174,727
Brownfield Redevelopment Authority		545		545
Employee Health Care	<u>196,642</u>	<u> </u>	<u>794,097</u>	<u>990,739</u>
TOTAL	<u>\$ 6,326,910</u>	<u>\$ 5,590,391</u>	<u>\$ 2,844,097</u>	<u>\$ 14,761,398</u>

RECONCILIATION TO STATEMENTS

FUND	COMMON CASH	OTHER CASH	INVESTMENTS	TOTAL
Governmental funds	\$ 4,021,428	\$ 4,008,902	\$ 1,671,650	\$ 9,701,980
Proprietary funds				
Enterprise	1,077,854	100	378,350	1,456,304
Internal service	856,259			856,259
Fiduciary funds	371,369		794,097	1,165,466
Component units	<u> </u>	<u>1,581,389</u>	<u> </u>	<u>1,581,389</u>
	<u>\$ 6,326,910</u>	<u>\$ 5,590,391</u>	<u>\$ 2,844,097</u>	<u>\$ 14,761,398</u>

FINANCIAL STATEMENT
PRESENTATION

Cash	\$ 11,545,932
Investments	2,050,000
Fiduciary funds	<u>1,165,466</u>
TOTAL	<u>\$ 14,761,398</u>

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

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

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

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

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As of June 30, 2016, the carrying amount of the City’s deposits was \$14,761,398 and the bank balance was \$14,912,594 of which \$852,661 was covered by federal depository insurance. The remaining balance of \$14,059,933 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 City’s (NRSRO’s). As of June 30, 2016, the City did not have any investment that would be subject to rating.

Interest Rate Risk

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

NOTE 8: **DEFINED BENEFIT PENSION PLAN**

Summary of Significant Accounting Policies

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

Plan Description

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

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

Employees covered by benefit terms: At the December 31, 2015 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	21
Active employees	<u>68</u>
TOTAL	<u>147</u>

Contributions

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

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

Annual required employer contributions range from 13.28% to 22.19% based on annual payroll for open divisions. The City voluntarily contributed 25.81% to 34.72% of annual payroll for open divisions to increase the funding level long-term.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2015, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation 2.5%. Salary increases: 3.75% in the long-term. Investment rate of return: 7.75%, net of investment and administrative expenses, including inflation.

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

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and a 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate

The discount rate used to measure the total pension liability is 8.25% for 2015. The projection of cash flows used to determine the discount rate assumes the employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term, expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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 12/31/14	\$ <u>23,229,214</u>	\$ <u>16,118,375</u>	\$ <u>7,110,839</u>
Changes for the Year			
Service cost	401,331		401,331
Interest on Total Pension Liability	1,888,233		1,888,233
Change in assumptions	1,224,741		1,224,741
Difference between actual and expected experience	(736,514)		(736,514)
Employer Contributions		1,101,356	(1,101,356)
Net investment income		(244,240)	244,240
Benefit payments, including employee refunds	(1,084,403)	(1,084,403)	
Administrative expense		(<u>35,472</u>)	<u>35,472</u>
Net changes	<u>1,693,388</u>	(<u>262,759</u>)	<u>1,956,147</u>
Balances as of 12/31/15	\$ <u>24,922,602</u>	\$ <u>15,855,616</u>	\$ <u>9,066,986</u>

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer’s Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

Sensitivity to Changes in Discount Rate

	1% DECREASE 7.25%	CURRENT DISCOUNT RATE (8.25%)	1% INCREASE 9.25%
Net Pension Liability at 12/31/15	9,066,986	9,066,986	9,066,986
Change in Net Pension Liability (NPL)	<u>2,931,591</u>	<u> </u>	(<u>2,484,750</u>)
Calculated NPL for your Notes	<u>11,998,577</u>	<u>9,066,986</u>	<u>6,582,236</u>

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, 2015, the employer recognized pension expense of \$960,326. 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	\$ 552,315	\$
Differences in assumptions		918,556
Excess (Deficit) Investment Returns	1,432,306	
Contributions subsequent to the measurement date	<u>591,520</u>	<u> </u>
Total	\$ <u>2,576,141</u>	\$ <u>918,556</u>

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

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending December 31, 2015.

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

Year ended	
2017	\$ 250,496
2018	250,496
2019	250,496
2020	314,577

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 or 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 are due pursuant to legal requirements. Benefit payment and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

NOTE 9: **LONG-TERM OBLIGATIONS**

The following is a summary of long-term debt transactions of the primary government and all component units for the year ended June 30, 2016:

	WATER AND SEWER REVENUE BONDS	GENERAL OBLIGATION BONDS	NOTES PAYABLE	COMPENSATED ABSENCES
As of July 1, 2015	\$ 6,950,961	\$ 7,990,000	\$ 632,670	\$ 526,821
Additions (Reductions)	(314,311)	(1,495,000)	(170,647)	(2,736)
As of June 30, 2016	\$ <u>6,636,650</u>	\$ <u>6,495,000</u>	\$ <u>462,023</u>	\$ <u>524,085</u>

Long-term debt at June 30, 2016 is comprised of the individual issues:

	BALANCE AS OF JULY 1, 2015	ADDITIONS	DEDUCTIONS	BALANCE AS OF JUNE 30, 2016	DUE WITHIN ONE YEAR
BUSINESS-TYPE ACTIVITIES					
\$8,905,000 2010 Sewer Revenue Bond due in annual installments of \$345,000 to \$560,000 through October 1, 2031; interest at 2.5%.	\$ 6,950,961	\$ 60,689	\$ (375,000)	\$ 6,636,650	\$ 385,000
Less: Amount payable within one year				<u>385,000</u>	
TOTAL LONG-TERM DEBT BUSINESS-TYPE ACTIVITIES				<u>\$ 6,251,650</u>	

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

Long-term debt at June 30, 2016 is comprised of the individual issues:

	BALANCE AS OF JULY 1, 2015	ADDITIONS	DEDUCTIONS	BALANCE AS OF JUNE 30, 2016	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%	\$ 185,000	\$	\$(35,000)	\$ 150,000	\$ 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%	110,000		(20,000)	90,000	20,000
\$152,000 2016 Abstract Building Installment and purchase loan in Annual installments of \$14,319 through February 1, 2019; interest at 3.870%	52,040		(12,283)	39,757	12,276
\$1,404,455 2008 Installment purchase contract due in bi-annual installments of \$84,993 through July 15, 2018; interest at 3.70%	580,630		(158,364)	422,266	164,277
\$280,000 2006 Special Assessment Bond due in annual installments of \$30,000 through January 1, 2016; Interest at 3.95%	30,000		(30,000)		
\$470,000 2006 General Obligation Limited Tax Bond due in annual installments of \$45,000 to \$60,000 through January 1, 2016; Interest at 3.95%	60,000		(60,000)		
\$110,000 2007 General Obligation Tax Bond due in annual installments of \$10,000 to \$15,000 through November 1, 2017; interest at 3.95%	40,000		(10,000)	30,000	15,000
\$175,000 2007 Special Assessment Bond due in annual installments of \$15,000 to \$20,000 through November 1, 2017; interest at 3.95%	55,000		(15,000)	40,000	20,000
\$6,375,000 2009 General Obligation Tax Bond due in annual installments of \$385, 000 to \$740,000 through December 1, 2018; interest at 2.00% to 4.25%	2,475,000		(645,000)	1,830,000	625,000

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

	BALANCE AS OF JULY 1, 2015	ADDITIONS	DEDUCTIONS	BALANCE AS OF JUNE 30, 2016	DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
PRIMARY GOVERNMENT - Concluded					
\$3,325,000 2008 General Obligation Limited Tax Bond due in annual Installments of \$195,000 to \$360,000 through December 1, 2018; interest 3.00% to 5.00%	1,380,000		(345,000)	1,035,000	345,000
\$155,000 2008 Series A General Obligation Tax Bond due in annual installments of \$15,000 to \$20,000 through November 1, 2017; interest at 3.95%	55,000		(15,000)	40,000	20,000
\$95,000 2008 Series A Special Assessment Bond due in annual installments of \$10,000 through November 1, 2017; interest at 3.95%	30,000		(10,000)	20,000	10,000
\$1,705,000 2001 Building Authority Bond due in annual installments of \$115,000 to \$155,000 through April 1, 2016; interest at 4.50% to 4.70%	155,000		(155,000)		
\$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%	260,000		(35,000)	225,000	40,000
\$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%	780,000		(120,000)	660,000	125,000
\$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%	2,375,000			2,375,000	145,000
Accumulated compensated absences	<u>526,821</u>		(<u>2,736</u>)	<u>524,085</u>	<u>94,792</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 9,149,491</u>	<u>\$</u>	<u>\$(1,668,383)</u>	<u>\$ 7,481,108</u>	<u>\$ 1,671,345</u>
Less: Amount payable within one year				<u>1,671,345</u>	
TOTAL LONG-TERM DEBT GOVERNMENTAL ACTIVITIES				<u>\$ 5,809,763</u>	

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

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

		BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL FUNDS	TOTAL
YEAR ENDING JUNE 30,				
2017	Principal	\$ 345,000	\$ 1,577,031	\$ 1,922,031
	Interest	165,074	210,678	375,752
	Total	510,074	1,787,709	2,297,783
2018	Principal	350,000	1,583,663	1,933,663
	Interest	157,292	151,088	308,380
	Total	507,292	1,734,751	2,242,043
2019	Principal	360,000	1,436,329	1,796,329
	Interest	148,542	92,488	241,030
	Total	508,542	1,528,817	2,037,359
2020	Principal	370,000	405,000	775,000
	Interest	139,542	60,075	199,617
	Total	509,542	465,075	974,617
2021	Principal	380,000	355,000	735,000
	Interest	130,292	49,580	179,872
	Total	510,292	404,580	914,872
2022 – 2026	Principle	2,030,000	845,000	2,875,000
	Interest	504,708	172,461	677,169
	Total	2,534,708	1,017,461	3,552,169
2027 – 2031	Principal	2,305,000	350,000	2,655,000
	Interest	237,710	95,274	332,984
	Total	2,542,710	445,274	2,987,984
2032 - 2036	Principal	496,650	405,000	901,650
	Interest	12,416	35,220	47,636
	Total	509,066	440,220	949,286
TOTAL	Principal	6,636,650	6,957,023	13,593,673
	Interest	1,495,576	866,864	2,362,440
	Total	8,132,226	7,823,887	15,956,113

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.

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

The City maintains three Enterprise Funds which provide auto parking, water and sewer services. Segment information for the year ended June 30, 2016, is as follows:

	AUTO PARKING FUND	WASTE WATER TREATMENT PLANT FUND	WATER SUPPLY FUND	TOTAL
Total assets	\$ 857,734	\$ 22,465,274	\$ 9,810,903	\$ 33,133,911
Deferred outflows of resources		19,363	8,862	28,225
Total liabilities	162,025	8,150,585	938,297	9,250,907
Contributed capital	330,000	549,999		879,999
Total net position	365,709	13,784,053	8,881,468	23,031,230
Operating revenues	18,270	4,506,183	3,112,035	7,636,488
Operating expenses	51,525	4,140,368	3,000,402	7,192,295
Depreciation expense	25,270	782,724	241,945	1,049,939
Operating income (loss)	(33,255)	365,815	111,633	444,193
Nonoperating revenues (expenses)	329	(145,357)	1,563	(143,465)
Transfers	40,509	(467,733)	(96,375)	(523,599)
Change in net position	7,583	(247,275)	16,821	(222,871)
Beginning net position	358,126	13,127,923	8,864,647	22,350,696
Reduction of contributed capital		496,306		496,306
Prior period adjustment		407,099		407,099
Ending net position	365,709	13,784,053	8,881,468	23,031,230
Cash flows from operating activities	(8,030)	1,848,603	917,722	2,758,295
Cash flows from noncapital and related financing activities	40,509	(467,733)	(96,375)	(523,599)
Cash flows from capital and related financing activities		(1,177,432)	(712,819)	(1,890,251)
Cash flows from investing activities	329	1,900	1,563	3,792
Cash and cash equivalents – beginning	96,389	354,480	278,848	729,717
Cash and cash equivalents – ending	129,197	559,818	388,939	1,077,954

NOTE 11: **CAPITAL ASSETS**

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

	JULY 1, 2015 RESTATED	ADDITIONS	DELETIONS	JUNE 30, 2016
GOVERNMENTAL				
Capital assets not being depreciated				
Construction in progress	\$ 327,304	\$ 2,505,287	\$ 2,501,291	\$ 331,300
Land	<u>24,309,616</u>	<u>395,709</u>	<u> </u>	<u>24,705,325</u>
Total capital assets not being depreciated	<u>24,636,920</u>	<u>2,900,996</u>	<u>2,501,291</u>	<u>25,036,625</u>
Capital assets being depreciated				
Buildings	5,815,993	91,981		5,907,974
Improvements	5,737,586	15,461		5,753,047
Machinery and equipment	6,875,276	519,384	239,715	7,154,945
Infrastructure	<u>43,322,402</u>	<u>2,496,361</u>	<u> </u>	<u>45,818,763</u>
Total capital assets being depreciated	<u>61,751,257</u>	<u>3,123,187</u>	<u>239,715</u>	<u>64,634,729</u>

NOTE 11: **CAPITAL ASSETS** - Continued

	JULY 1, 2015 RESTATED	ADDITIONS	DELETIONS	JUNE 30, 2016
GOVERNMENTAL - Concluded				
Total accumulated depreciation	<u>28,413,744</u>	<u>2,713,175</u>	<u>229,482</u>	<u>30,897,437</u>
Total capital assets being depreciated - net	<u>33,337,513</u>	<u>410,012</u>	<u>10,233</u>	<u>33,737,292</u>
NET CAPITAL ASSETS	<u>\$57,974,433</u>	<u>\$ 3,311,008</u>	<u>\$ 2,511,524</u>	<u>\$58,773,917</u>

The July 1, 2015 beginning balances were restated to account for the land held for investments.

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

GOVERNMENTAL ACTIVITY	AMOUNT
General government	\$ 63,999
Public safety	163,773
Public works	282,283
Streets	2,031,056
Recreation	<u>172,064</u>
TOTAL DEPRECIATION EXPENSE GOVERNMENTAL ACTIVITIES	<u>\$ 2,713,175</u>

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

	JULY 1, 2015	ADDITIONS	DELETIONS	JUNE 30, 2016
COMPONENT UNITS				
Capital assets not being depreciated				
Construction in progress	\$ 115,780	\$ 90,792	\$ 206,572	\$
Land	<u>375,174</u>	<u> </u>	<u> </u>	<u>375,174</u>
Total capital assets not being depreciated	<u>\$ 490,954</u>	<u>\$ 90,792</u>	<u>\$ 206,572</u>	<u>\$ 375,174</u>
Capital assets being depreciated				
Buildings	7,201,243	206,572		7,407,815
Less: accumulated depreciation				
Buildings	<u>3,864,127</u>	<u>184,914</u>	<u> </u>	<u>4,049,041</u>
Total capital assets being depreciated	<u>\$ 3,337,116</u>	<u>\$ 21,658</u>	<u>\$ </u>	<u>\$ 3,358,774</u>
NET CAPITAL ASSETS	<u>\$ 3,828,070</u>	<u>\$ 112,450</u>	<u>\$ 206,572</u>	<u>\$ 3,733,948</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	\$ 19,475
Tax Increment Finance Authorities #1, #2, #3	<u>165,439</u>
TOTAL DEPRECIATION EXPENSE GOVERNMENTAL ACTIVITIES	<u>\$ 184,914</u>

NOTE 11: **CAPITAL ASSETS** - Concluded

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

	JULY 1, 2015	ADDITIONS	DELETIONS	JUNE 30, 2016
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 498,219	\$ 1,101,172	\$ 1,578,096	\$ 21,295
Land	<u>798,214</u>	<u> </u>	<u> </u>	<u>798,214</u>
Total capital assets not being depreciated	<u>1,296,433</u>	<u>1,101,172</u>	<u>1,578,096</u>	<u>819,509</u>
Capital assets being depreciated				
Buildings	19,692,567		19,998	19,672,569
Machinery and equipment	1,653,292		15,500	1,637,792
Infrastructure	21,936,441	1,578,095		23,514,536
Improvements	<u>1,006,401</u>	<u> </u>	<u> </u>	<u>1,006,401</u>
Total capital assets being depreciated	<u>44,288,701</u>	<u>1,578,095</u>	<u>35,498</u>	<u>45,831,298</u>
Total accumulated depreciation	<u>17,512,465</u>	<u>1,049,939</u>	<u>35,498</u>	<u>18,526,906</u>
Total capital assets being depreciated	<u>26,776,236</u>	<u>528,156</u>	<u> </u>	<u>27,304,392</u>
NET CAPITAL ASSETS	<u>\$28,072,669</u>	<u>\$ 1,629,328</u>	<u>\$ 1,578,096</u>	<u>\$ 28,123,901</u>

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

GOVERNMENTAL ACTIVITY	AMOUNT
Auto Parking	\$ 25,270
Wastewater	782,724
Water	<u>241,945</u>
TOTAL DEPRECIATION EXPENSE BUSINESS-TYPE ACTIVITIES	<u>\$ 1,049,939</u>

NOTE 12: **AMORTIZATION OF CONTRIBUTED CAPITAL**

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

NOTE 13: TAX INCREMENT FINANCE AUTHORITY (TIFA)

The Tax Increment Finance Authority was established by the Lapeer City Commission on April 19, 1982, in accordance with Act 450 of P.A. 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 14: DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

The Downtown Development Authority was established by the Lapeer City Commission on November 24, 1982, in accordance with Act 197 of P.A. 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 15: LOCAL DEVELOPMENT FINANCE AUTHORITY (LDFA)

The Local Development Finance Authority was established by the Lapeer City Commission on April 20, 1987, in accordance with 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 16: BROWNFIELD REDEVELOPMENT AUTHORITY

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

NOTE 17: 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 18: **ECONOMIC DEVELOPMENT CORPORATION**

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

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

As of June 30, 2016, 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 19: **POST EMPLOYMENT BENEFITS**

The City of Lapeer offers post-employment health insurance benefits to its employees. These benefits are provided by contractual agreement and are paid annually by the General Fund. 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 \$776,069 during the year ended June 30, 2016. The total number of eligible retirees amounted to 45 at June 30, 2016. The City pays 100% of these costs. There are no provisions for employee contributions. The City has recorded a liability of \$10,261,599 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 \$794,097 at June 30, 2016. The City of Lapeer did not meet its Annual Required Contribution (ARC) requirements in 2015 by \$1,290,368.

Annually, the City contributes to the Retirement Health Funding Vehicle the budgeted retiree health premiums plus an additional contribution of \$50,000.00. Quarterly, 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. New employees are required to establish a Health Savings Account in which the City will annually match their contribution up to 1% of their wage. The employees must contribute a minimum of \$5.00 monthly. If the employee does not vest in the system, the City contribution is forfeited.

The funding progress of the Plan as of July 1, 2013, the most recent valuation date, is as follows:

Valuation as of July 1, 2013

Actuarial value of assets	\$ 791,043
Actuarial value of liabilities (AAL)	22,483,987
Unfunded AAL	21,692,944
Funded ratio	3.50%

Funding Progress

For the year ended June 30, 2016, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2013. 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. The valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution	\$ 2,257,159
Amount contributed	(776,069)
ARC adjustment	(726,611)
Interest on net OPEB obligation	<u>535,889</u>
Increase in OPEB obligation	1,290,368
Net OPEB obligation, July 1	<u>8,971,231</u>
 NET OPEB OBLIGATION, JUNE 30	 <u>\$ 10,261,599</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and preceding years were as follows:

Fiscal Year Ended	Alternative Measurement Method Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
June 30, 2014	June 30, 2014	\$ 1,931,228	31.6%	\$ 7,607,783
June 30, 2015	June 30, 2015	2,034,876	33.0%	8,971,231
June 30, 2016	June 30, 2016	2,106,178	34.9%	10,261,599

NOTE 19: **POST EMPLOYMENT BENEFITS** – Continued

The funding progress of the plan is as follows:

Alternative Measurement Method Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)
June 30, 2014	\$ 791,043	\$ 22,483,987	\$ 21,692,944	3.5%
June 30, 2015	900,941	23,600,698	22,699,757	3.8%
June 30, 2016	1,027,690	24,738,359	23,710,669	4.1%

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.

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:

Retirement Age for Active Employees

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

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

Mortality

Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2002 United States Life Tables for males and for females were used.

Turnover

Rates used to determine nongroup-specific age-based turnover were taken from the Michigan MERS actuarial valuations of December 31, 2011.

Healthcare Cost Trend Rate

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

NOTE 19: **POST EMPLOYMENT BENEFITS** – Concluded

Payroll Growth Rate

The payroll growth rate has been updated to be consistent with the assumptions used in the December 31, 2011 MERS actuarial valuation.

Based on the historical and expected returns of the City’s short-term investment portfolio, a discount rate of 6.0 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, 2016 was 30 years.

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	\$ 1,489,043
Public safety	3,345,141
Public works	2,604,3629
Cultural and recreation	464,325
Community development and enrichment	<u>102,472</u>
Total Governmental Activities	<u>8,005,610</u>
Business-Type Activities	
Auto parking	162,025
Wastewater treatment plant	1,441,168
Water supply	<u>652,796</u>
Total Business-Type Activities	<u>2,255,989</u>
TOTAL OPEB OBLIGATION	<u>\$ 10,261,599</u>
	RETIREEE HEALTH CARE TRUST FUND
ASSETS	
Investments	
Other investments	\$ <u>794,097</u>
NET POSITION	
Held in trust for postemployment healthcare benefits	\$ <u>794,097</u>
INCOME	
Contributions	
Employer	\$ 776,069
Investment income	3,672
Other	(<u>2,981</u>)
TOTAL INCOME	<u>776,760</u>
EXPENSES	
Distributions	<u>589,378</u>
NET GAIN (LOSS)	187,382
NET POSITION, JULY 1	<u>606,715</u>
NET POSITION, JUNE 30	<u>\$ 794,097</u>

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, 2015, 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: CHANGES IN ACCOUNTING PRINCIPLES

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The principle was adopted. No material changes were made to the financial statements.

NOTE 26: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2018.

NOTE 27: PRIOR PERIOD ADJUSTMENTS

	GOVERNMENTAL FUND	BUSINESS TYPE
Adjustment for land held for investment recorded as fixed asset in previous year	\$ 1,168,598	\$ 407,099
Adjustment for contribution to DDA for PIX Theatre	(59,294)	

NOTE 28: RESIDUAL EQUITY TRANSFER

A residual equity transfer was made from the general fund to the Downtown Development Authority in the amount of \$50,170 for insurance proceeds recorded originally in the general fund.

NOTE 29: **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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

	<u>BUDGETED AMOUNTS</u>			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes				
Property taxes	\$ 2,574,696	\$ 2,574,696	\$ 2,588,382	\$ 13,686
Penalties and interest	60,000	60,000	90,737	30,737
City income taxes	<u>2,745,000</u>	<u>2,745,000</u>	<u>3,012,134</u>	<u>267,134</u>
Total Taxes	<u>5,379,696</u>	<u>5,379,696</u>	<u>5,691,253</u>	<u>311,557</u>
Federal Grants				
Federal Drug Grant (TNU)	24,000	24,000	23,587	(413)
MSHDA Section 8	138,500	138,500	151,750	13,250
School liaison officer	<u>31,000</u>	<u>31,000</u>	<u>13,000</u>	<u>(18,000)</u>
Total Federal Grants	<u>193,500</u>	<u>193,500</u>	<u>188,337</u>	<u>(5,163)</u>
Licenses and Permits				
Licenses	5,250	5,250	6,668	1,418
Permits	<u>7,400</u>	<u>7,400</u>	<u>10,750</u>	<u>3,350</u>
Total Licenses and Permits	<u>12,650</u>	<u>12,650</u>	<u>17,418</u>	<u>4,768</u>
Intergovernmental				
Sales tax	759,672	759,672	728,231	(31,441)
Liquor licenses	<u>12,240</u>	<u>12,240</u>	<u>11,844</u>	<u>(396)</u>
Total Intergovernmental	<u>771,912</u>	<u>771,912</u>	<u>740,075</u>	<u>(31,837)</u>
Charges for Services				
Administrative fees	691,228	691,228	784,366	93,138
Copies	4,000	4,000	3,808	(192)
Fire runs and protection	441,000	441,000	456,505	15,505
IFT application fee	1,000	1,000	1,000	
Other fees	37,920	37,920	34,521	(3,399)
Cable franchise fees	<u>110,000</u>	<u>110,000</u>	<u>122,516</u>	<u>12,516</u>
Total Charges for Services	<u>1,285,148</u>	<u>1,285,148</u>	<u>1,402,716</u>	<u>117,568</u>
Fines and Forfeits				
Court fines	<u>47,000</u>	<u>47,000</u>	<u>34,193</u>	<u>(12,807)</u>

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND - Continued

FOR THE YEAR ENDED JUNE 30, 2016

	BUDGETED AMOUNTS			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES - Concluded				
Other Revenues				
Interest on investments	\$ 5,000	\$ 5,000	\$ 11,134	\$ 6,134
Rentals	60,636	60,636	18,077	(42,559)
Reimbursements	36,100	36,100	36,002	(98)
Miscellaneous	4,500	4,500	24,241	19,741
Sale of tax map books			2	2
Contributions	<u>236,848</u>	<u>236,848</u>	<u>239,196</u>	<u>2,348</u>
Total Other Revenues	<u>343,084</u>	<u>343,084</u>	<u>328,652</u>	<u>(14,432)</u>
TOTAL REVENUES	<u>8,032,990</u>	<u>8,032,990</u>	<u>8,402,644</u>	<u>369,654</u>
EXPENDITURES				
General Government				
Legislative	38,531	32,851	32,629	222
Executive/Clerk	575,031	580,861	534,861	46,000
Assessor's office	226,891	226,891	202,850	24,041
Income tax	218,650	218,650	216,834	1,816
Attorney/Jury-Witness	125,000	125,000	123,979	1,021
Elections	51,289	51,139	23,874	27,265
City Hall	47,870	47,870	45,260	2,610
Board of Review	2,120	2,120	706	1,414
Accounting and data processing	518,358	518,358	487,583	30,775
Cable advisory board	<u>399</u>	<u>399</u>	<u>155</u>	<u>244</u>
Total General Government	<u>1,804,139</u>	<u>1,804,139</u>	<u>1,668,731</u>	<u>135,408</u>
Public Safety				
Police	3,074,895	3,074,895	3,032,707	42,188
Fire	<u>921,702</u>	<u>924,398</u>	<u>839,288</u>	<u>85,110</u>
Total Public Safety	<u>3,996,597</u>	<u>3,999,293</u>	<u>3,871,995</u>	<u>127,298</u>
Public Works				
Public services	<u>851,084</u>	<u>929,784</u>	<u>905,661</u>	<u>24,123</u>
Community development and enrichment				
	<u>662,868</u>	<u>662,868</u>	<u>587,966</u>	<u>74,902</u>

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND - Concluded

FOR THE YEAR ENDED JUNE 30, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
EXPENDITURES - Concluded				
Other Functions				
Contingency	\$ 101,000	\$ 31,000	\$	\$ 31,000
Contributions to other units	55,839	72,839	52,470	20,369
Contributions to component units	<u>1,042,089</u>	<u>1,145,333</u>	<u>1,137,826</u>	<u>7,507</u>
Total Other Functions	<u>1,198,928</u>	<u>1,249,172</u>	<u>1,190,296</u>	<u>58,876</u>
TOTAL EXPENDITURES	<u>8,513,616</u>	<u>8,645,256</u>	<u>8,224,649</u>	<u>420,607</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	<u>(480,626)</u>	<u>(612,266)</u>	<u>177,995</u>	<u>790,261</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	638,820	642,570	642,560	(10)
Operating transfers out	<u>(1,094,980)</u>	<u>(1,098,455)</u>	<u>(1,098,455)</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(456,160)</u>	<u>(455,885)</u>	<u>(455,895)</u>	<u>(10)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	(936,786)	(1,068,151)	(277,900)	790,251
RESIDUAL EQUITY TRANSFER				
			(50,170)	(50,170)
PRIOR PERIOD ADJUSTMENT				
			(59,294)	(59,294)
FUND BALANCE, JULY 1	<u>2,974,014</u>	<u>2,974,014</u>	<u>2,974,014</u>	
FUND BALANCE, JUNE 30	<u>\$ 2,037,228</u>	<u>\$ 1,905,863</u>	<u>\$ 2,586,650</u>	<u>\$ 680,787</u>

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

MAJOR STREET FUND

FOR THE YEAR ENDED JUNE 30, 2016

	BUDGETED AMOUNTS			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
State grants	\$ 1,395,539	\$ 1,395,539	\$ 1,526,183	\$ 130,644
Federal grants	309,000	309,000	264,901	(44,099)
Interest on investments	5	5	964	959
Contribution from component units	2,919	2,919	41,419	38,500
Other revenues	5,000	107,700	320	(107,380)
 TOTAL REVENUES	 1,712,463	 1,815,163	 1,833,787	 18,624
EXPENDITURES				
Highways and streets	1,623,312	2,390,984	2,255,363	135,621
 DEFICIENCY OF REVENUES OVER EXPENDITURES	 89,151	 (575,821)	 (421,576)	 154,245
OTHER FINANCING SOURCES				
Operating transfers out	(98,758)	(45,916)	(45,916)	
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	 (9,607)	 (621,737)	 (467,492)	 154,245
FUND BALANCE, JULY 1	889,010	889,010	889,010	
FUND BALANCE, JUNE 30	\$ 879,403	\$ 267,273	\$ 421,518	\$ 154,245

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

PARKS AND RECREATION FUND

FOR THE YEAR ENDED JUNE 30, 2016

	BUDGETED AMOUNTS			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Charges for services	\$ 1,099,100	\$ 1,099,100	\$ 1,063,322	\$ (35,778)
Interest and rent	49,455	49,455	67,378	17,923
Contribution from component units	304,288	304,988	224,363	(80,625)
Other revenues	11,500	11,500	13,805	2,305
TOTAL REVENUES	1,464,343	1,465,043	1,368,868	(96,175)
EXPENDITURES				
Culture and recreation	2,039,363	2,040,063	1,872,752	167,311
DEFICIENCY OF REVENUES OVER EXPENDITURES	(575,020)	(575,020)	(503,884)	71,136
OTHER FINANCING SOURCES				
Operating transfers in	500,000	500,000	500,000	
Operating transfers out	(10,000)	(10,000)	(10,000)	
TOTAL OTHER FINANCING SOURCES (USES)	490,000	490,000	490,000	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(85,020)	(85,020)	(13,884)	71,136
FUND BALANCE, JULY 1	354,558	354,558	354,558	
FUND BALANCE, JUNE 30	\$ 269,538	\$ 269,538	\$ 340,674	\$ 71,136

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

	2016	2015
TOTAL PENSION LIABILITY		
Service cost	\$ 401,331	\$ 435,088
Interest	1,888,233	1,792,434
Change in assumptions	1,224,741	
Difference between actual and expected experience	(736,514)	
Benefit payments, including refunds	<u>(1,084,403)</u>	<u>(1,014,475)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,693,388	1,213,047
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	<u>23,229,214</u>	<u>22,016,167</u>
TOTAL PENSION LIABILITY - END OF YEAR	<u>\$ 24,922,602</u>	<u>\$ 23,229,214</u>
PLAN FIDUCIARY NET POSTION		
Contributions - employer	\$ 1,101,356	\$ 970,425
Net investment income	(244,240)	965,353
Benefit payments, including refunds	(1,084,403)	(1,014,475)
Administrative expenses	<u>(35,472)</u>	<u>(35,527)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(262,759)	885,776
PLAN FIDUCIARY NET POSTION - BEGINNING OF YEAR	<u>16,118,375</u>	<u>15,232,599</u>
PLAN FIDUCIARY NET POSTION - END OF YEAR	<u>\$ 15,855,616</u>	<u>\$ 16,118,375</u>
CITY'S NET PENSION LIABILITY - ENDING	<u>\$ 9,066,986</u>	<u>\$ 7,110,839</u>
PLAN FIDUCIARY NET POSITION AS A % OF TOTAL PENSION LIABILITY	63.62%	69.39%
COVERED EMPLOYEE PAYROLL	<u>\$ 4,095,670</u>	<u>\$ 4,449,996</u>
CITY'S NET PENSION LIABILITY AS A % OF COVERED PAYROLL	221.38%	159.79%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
722,120	\$ 733,956	\$ 700,000	\$ 632,668	\$ 554,159	\$ 509,857
<u>738,127</u>	<u>733,956</u>	<u>700,000</u>	<u>632,668</u>	<u>554,159</u>	<u>509,857</u>
<u>(16,007)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
4,499,943	\$ 4,541,250	\$ 4,569,422	\$ 4,431,469	\$ 4,103,203	\$ 3,820,997
16.40%	16.16%	15.32%	14.28%	13.51%	13.34%

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NONMAJOR FUNDS

CITY OF LAPEER, MICHIGAN
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	SPECIAL REVENUE	DEBT SERVICE
ASSETS		
Cash	\$ 821,699	\$ 408,240
Receivables		
Accounts	2,588	
Special assessments	3,970	160,671
Due from		
Other funds	1,029	8,845
State	<u>25,783</u>	<u> </u>
TOTAL ASSETS	<u>855,069</u>	<u>577,756</u>
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid expenses	<u>5,166</u>	<u> </u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 860,235</u>	<u>\$ 577,756</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Payables		
Accounts	\$ 400,135	\$
Payroll and payroll taxes	3,498	
Due to other funds	<u> </u>	<u>182</u>
TOTAL LIABILITIES	<u>403,633</u>	<u>182</u>
DEFERRED INFLOWS OF RESOURCES		
Special assesment - deferred revenue	<u>3,970</u>	<u>160,671</u>
FUND BALANCE		
Nonspendable		
Restricted for debt service		416,903
Assigned	<u>452,632</u>	<u> </u>
TOTAL FUND BALANCE	<u>452,632</u>	<u>416,903</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 860,235</u>	<u>\$ 577,756</u>

CAPITAL PROJECTS	PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$	\$	\$
60,928	9,083	1,239,022
		63,516
		164,641
		9,874
		25,783
<hr/>	<hr/>	<hr/>
60,928	9,083	1,502,836
<hr/>	<hr/>	<hr/>
		5,166
\$ <u>60,928</u>	\$ <u>9,083</u>	\$ <u>1,508,002</u>
\$	\$	\$
20,714		420,849
2,166		3,498
<hr/>	<hr/>	<hr/>
22,880		2,348
<hr/>	<hr/>	<hr/>
		426,695
<hr/>	<hr/>	<hr/>
		164,641
	8,742	8,742
38,048	341	416,903
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38,048	9,083	491,021
<hr/>	<hr/>	<hr/>
		916,666
\$ <u>60,928</u>	\$ <u>9,083</u>	\$ <u>1,508,002</u>

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE	DEBT SERVICE
REVENUES		
Taxes and special assessments	\$ 1,356	\$ 109,471
Intergovernmental	203,278	
Charges for services	383,187	
Interest and rentals	2,500	714
Contribution from component units	149,186	
Other revenues	<u>4,921</u>	<u>235,087</u>
TOTAL REVENUES	<u>744,428</u>	<u>345,272</u>
EXPENDITURES		
Public safety	6,423	
Health and welfare	147,489	
Community development and enrichment	308,217	
Debt service		
Principal retirement		1,020,647
Interest and fiscal charges		203,023
Other		
Highways and streets	789,191	
Capital outlay		
TOTAL EXPENDITURES	<u>1,251,320</u>	<u>1,223,670</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(506,892)</u>	<u>(878,398)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	314,953	840,567
Operating transfers out	<u>(178,921)</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>136,032</u>	<u>840,567</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(370,860)	(37,831)
FUND BALANCE, JULY 1	<u>823,492</u>	<u>454,734</u>
FUND BALANCE, JUNE 30	\$ <u><u>452,632</u></u>	\$ <u><u>416,903</u></u>

CAPITAL PROJECTS	PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$	\$	\$
		110,827
		203,278
	425	383,612
129	27	3,370
<u>85,337</u>	<u> </u>	149,186
<u>85,466</u>	<u>452</u>	<u>325,345</u>
		1,175,618
		6,423
		147,489
		308,217
		1,020,647
4,636		203,023
<u>216,954</u>	<u> </u>	4,636
<u>221,590</u>	<u> </u>	789,191
		<u>216,954</u>
		2,696,580
<u>(136,124)</u>	<u>452</u>	<u>(1,520,962)</u>
112,000		1,267,520
<u>(63,961)</u>	<u>(27)</u>	<u>(242,909)</u>
<u>48,039</u>	<u>(27)</u>	<u>1,024,611</u>
(88,085)	425	(496,351)
<u>126,133</u>	<u>8,658</u>	<u>1,413,017</u>
\$ <u><u>38,048</u></u>	\$ <u><u>9,083</u></u>	\$ <u><u>916,666</u></u>

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GENERAL FUND

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

CITY OF LAPEER, MICHIGAN

BALANCE SHEET

GENERAL FUND

JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	2016	2015
ASSETS		
Cash	\$ 1,505,377	\$ 1,761,957
Investments	1,002,019	1,103,776
Receivables		
Accounts	19,243	188,260
Property taxes	101,802	94,420
Due from other funds	2,348	
Due from other governmental units	9,784	6,770
Due from state	117,043	114,847
Inventory	<u>37,107</u>	<u>56,088</u>
TOTAL ASSETS	<u>2,794,723</u>	<u>3,326,118</u>
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid expenses	<u>85,602</u>	<u>90,219</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,880,325</u>	<u>\$ 3,416,337</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 117,136	\$ 108,590
Accrued payroll and payroll taxes	59,178	183,974
Due to other funds		2,000
Due to other units	88,861	125,083
Security deposits	<u>28,500</u>	<u>22,676</u>
TOTAL LIABILITIES	<u>293,675</u>	<u>442,323</u>
FUND BALANCE		
Nonspendable		
Receivables	19,243	188,260
Prepaid expenses	85,602	90,219
Inventory	37,107	56,088
Unassigned	<u>2,444,698</u>	<u>2,639,447</u>
TOTAL FUND BALANCE	<u>2,586,650</u>	<u>2,974,014</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,880,325</u>	<u>\$ 3,416,337</u>

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		VARIANCE FAVORABLE (UNFAVORABLE)	2015
	BUDGET	ACTUAL		ACTUAL
REVENUES				
Taxes				
Property taxes	\$ 2,574,696	\$ 2,588,382	\$ 13,686	\$ 2,646,058
Penalties and interest	60,000	90,737	30,737	81,414
City income taxes	2,745,000	3,012,134	267,134	2,895,494
Total Taxes	5,379,696	5,691,253	311,557	5,622,966
Federal Grants				
Federal Drug Grant (TNU)	24,000	23,587	(413)	29,280
MSHDA Section 8	138,500	151,750	13,250	145,173
School liaison officer	31,000	13,000	(18,000)	31,000
Total Federal Grants	193,500	188,337	(5,163)	205,453
Licenses and Permits				
Licenses	5,250	6,668	1,418	9,748
Permits	7,400	10,750	3,350	11,579
Total Licenses and Permits	12,650	17,418	4,768	21,327
Intergovernmental				
Sales tax	759,672	728,231	(31,441)	735,714
Liquor licenses	12,240	11,844	(396)	275
Total Intergovernmental	771,912	740,075	(31,837)	735,989
Charges for Services				
Administrative fees	691,228	784,366	93,138	680,652
Copies	4,000	3,808	(192)	4,705
Fire runs and protection	441,000	456,505	15,505	444,755
IFT application fee	1,000	1,000		1,000
Other fees	37,920	34,521	(3,399)	31,357
Cable franchise fees	110,000	122,516	12,516	92,367
Total Charges for Services	1,285,148	1,402,716	117,568	1,254,836
Fines and Forfeits				
Court fines	47,000	34,193	(12,807)	43,387

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND - Continued

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		VARIANCE FAVORABLE (UNFAVORABLE)	2015
	BUDGET	ACTUAL		ACTUAL
REVENUES - Concluded				
Other Revenues				
Interest on investments	\$ 5,000	\$ 11,134	\$ 6,134	\$ 10,632
Rentals	60,636	18,077	(42,559)	53,127
Reimbursements	36,100	36,002	(98)	68,017
Miscellaneous	4,500	24,241	19,741	15,490
Sale of tax map books		2	2	
Contributions	236,848	239,196	2,348	578,734
Total Other Revenues	343,084	328,652	(14,432)	726,000
TOTAL REVENUES	8,032,990	8,402,644	369,654	8,609,958
EXPENDITURES				
General Government				
Legislative	32,851	32,629	222	34,303
Executive/Clerk	580,861	534,861	46,000	488,581
Assessor's office	226,891	202,850	24,041	281,257
Income tax	218,650	216,834	1,816	190,282
Attorney/Jury-Witness	125,000	123,979	1,021	138,110
Elections	51,139	23,874	27,265	32,743
City Hall	47,870	45,260	2,610	43,858
Board of Review	2,120	706	1,414	658
Accounting and data processing	518,358	487,583	30,775	477,895
Cable advisory board	399	155	244	221
Total General Government	1,804,139	1,668,731	135,408	1,687,908
Public Safety				
Police	3,074,895	3,032,707	42,188	2,813,741
Fire	924,398	839,288	85,110	777,221
Total Public Safety	3,999,293	3,871,995	127,298	3,590,962
Public Works				
Public services	929,784	905,661	24,123	1,096,811
Community development and enrichment				
	662,868	587,966	74,902	326,342

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND - Concluded
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		VARIANCE FAVORABLE (UNFAVORABLE)	2015
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES - Concluded				
Other Functions				
Contingency	\$ 31,000	\$	\$ 31,000	\$ (97,589)
Contributions to other units	72,839	52,470	20,369	61,359
Contributions to component units	<u>1,145,333</u>	<u>1,137,826</u>	<u>7,507</u>	<u>1,059,413</u>
Total Other Functions	<u>1,249,172</u>	<u>1,190,296</u>	<u>58,876</u>	<u>1,023,183</u>
TOTAL EXPENDITURES	<u>8,645,256</u>	<u>8,224,649</u>	<u>420,607</u>	<u>7,725,206</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(612,266)</u>	<u>177,995</u>	<u>790,261</u>	<u>884,752</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	642,570	642,560	(10)	584,581
Operating transfers out	<u>(1,098,455)</u>	<u>(1,098,455)</u>	<u></u>	<u>(1,303,607)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(455,885)</u>	<u>(455,895)</u>	<u>(10)</u>	<u>(719,026)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(1,068,151)	(277,900)	790,251	165,726
EQUITY TRANSFER		(50,170)	(50,170)	
PRIOR PERIOD ADJUSTMENT		(59,294)	(59,294)	
FUND BALANCE, JULY 1	<u>2,974,014</u>	<u>2,974,014</u>	<u></u>	<u>2,808,288</u>
FUND BALANCE, JUNE 30	<u>\$ 1,905,863</u>	<u>\$ 2,586,650</u>	<u>\$ 680,787</u>	<u>\$ 2,974,014</u>

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SPECIAL REVENUE FUNDS

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

The Special Revenue Funds of the City are: Major Street, Local Street, Parks and Recreation, Mt. Hope Cemetery, Youth Mini-Grant, Building Department, Oakdale Development, Police K-9 Program, Drug Law Enforcement, D.A.R.E., 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, 2016

WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	MAJOR STREET	LOCAL STREET
ASSETS		
Cash	\$ 353,317	\$ 456,491
Special assessment receivable		3,970
Accounts receivable	4,281	52
Due from other funds		1,029
Due from other units		
Due from state	<u>127,102</u>	<u>25,783</u>
TOTAL ASSETS	<u>484,700</u>	<u>487,325</u>
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid expenses	<u>4,802</u>	<u>1,868</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 489,502</u>	<u>\$ 489,193</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 66,940	\$ 355,298
Payroll and taxes payable	<u>1,044</u>	<u>1,051</u>
TOTAL LIABILITIES	<u>67,984</u>	<u>356,349</u>
DEFERRED INFLOWS OF RESOURCES		
Special assessment deferred revenue	<u></u>	<u>3,970</u>
FUND BALANCE		
Assigned	<u>421,518</u>	<u>128,874</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 489,502</u>	<u>\$ 489,193</u>

PARKS AND RECREATION	MT. HOPE CEMETERY	YOUTH MINI-GRANT	BUILDING DEPARTMENT	OAKDALE DEVELOPMENT
\$ 386,783	\$ 66,741	\$ 566	\$ 149,195	\$ 62,959
893				
4,479				
<u>392,155</u>	<u>66,741</u>	<u>566</u>	<u>149,195</u>	<u>62,959</u>
<u>13,260</u>	<u>246</u>		<u>2,922</u>	<u>130</u>
<u>\$ 405,415</u>	<u>\$ 66,987</u>	<u>\$ 566</u>	<u>\$ 152,117</u>	<u>\$ 63,089</u>
\$ 47,746	\$ 2,394	\$	\$ 31,026	\$ 4,152
<u>16,995</u>	<u>277</u>		<u>2,082</u>	<u>88</u>
<u>64,741</u>	<u>2,671</u>		<u>33,108</u>	<u>4,240</u>
<u>340,674</u>	<u>64,316</u>	<u>566</u>	<u>119,009</u>	<u>58,849</u>
<u>\$ 405,415</u>	<u>\$ 66,987</u>	<u>\$ 566</u>	<u>\$ 152,117</u>	<u>\$ 63,089</u>

CITY OF LAPEER, MICHIGAN

COMBINING BALANCE SHEET

SPECIAL REVENUE FUNDS - Continued

JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	POLICE K-9 PROGRAM	DRUG LAW ENFORCEMENT
ASSETS		
Cash	\$ 12,313	\$ 8,436
Special assessment receivable		
Accounts receivable		
Due from other funds		
Due from other units		
Due from state		
	<hr/>	<hr/>
TOTAL ASSETS	<u>12,313</u>	<u>8,436</u>
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid expenses		
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ <u><u>12,313</u></u>	\$ <u><u>8,436</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$	\$
Payroll and taxes payable		
	<hr/>	<hr/>
TOTAL LIABILITIES	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Special assessment deferred revenue		
	<hr/>	<hr/>
FUND BALANCE		
Assigned	<u>12,313</u>	<u>8,436</u>
	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ <u><u>12,313</u></u>	\$ <u><u>8,436</u></u>

D.A.R.E.	SITE PLAN REVIEW	GENERAL FORFEITURE	PUBLIC SAFETY TRAINING
\$ 6,973	\$ 7,261	\$ 10,605	\$ 486
	2,086		
<u>6,973</u>	<u>9,347</u>	<u>10,605</u>	<u>486</u>
<u>\$ 6,973</u>	<u>\$ 9,347</u>	<u>\$ 10,605</u>	<u>\$ 486</u>
\$	\$ 7,265	\$	\$
	<u>7,265</u>		
<u>6,973</u>	<u>2,082</u>	<u>10,605</u>	<u>486</u>
<u>\$ 6,973</u>	<u>\$ 9,347</u>	<u>\$ 10,605</u>	<u>\$ 486</u>

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - Concluded
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	MOBILE TRAINING UNIT	HOUSING RESOURCE
ASSETS		
Cash	\$ 2,815	\$ 36,858
Special assessment receivable		
Accounts receivable		450
Due from other funds		
Due from other units		
Due from state		
	<hr/>	<hr/>
TOTAL ASSETS	<u>2,815</u>	<u>37,308</u>
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid expenses		
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,815</u>	<u>\$ 37,308</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$	\$
Payroll and taxes payable		
	<hr/>	<hr/>
TOTAL LIABILITIES	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Special assessment deferred revenue		
	<hr/>	<hr/>
FUND BALANCE		
Assigned	<u>2,815</u>	<u>37,308</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 2,815</u>	<u>\$ 37,308</u>

TOTAL SPECIAL REVENUE 2016	ELIMINATION OF MAJOR FUNDS	TOTAL NON- MAJOR SPECIAL REVENUE 2016	TOTAL SPECIAL REVENUE 2015
\$ 1,561,799	\$ (740,100)	\$ 821,699	\$ 1,186,970
3,970		3,970	4,975
7,762	(5,174)	2,588	28,419
1,029		1,029	986,221
4,479	(4,479)		26,306
<u>152,885</u>	<u>(127,102)</u>	<u>25,783</u>	<u>119,411</u>
<u>1,731,924</u>	<u>(876,855)</u>	<u>855,069</u>	<u>2,352,302</u>
<u>23,228</u>	<u>(18,062)</u>	<u>5,166</u>	<u>20,995</u>
<u>\$ 1,755,152</u>	<u>\$ (894,917)</u>	<u>\$ 860,235</u>	<u>\$ 2,373,297</u>
\$ 514,821	\$ (114,686)	\$ 400,135	\$ 245,978
<u>21,537</u>	<u>(18,039)</u>	<u>3,498</u>	<u>55,284</u>
<u>536,358</u>	<u>(132,725)</u>	<u>403,633</u>	<u>301,262</u>
<u>3,970</u>	<u></u>	<u>3,970</u>	<u>4,975</u>
<u>1,214,824</u>	<u>(762,192)</u>	<u>452,632</u>	<u>2,067,060</u>
<u>\$ 1,755,152</u>	<u>\$ (894,917)</u>	<u>\$ 860,235</u>	<u>\$ 2,373,297</u>

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	MAJOR STREET	LOCAL STREET
REVENUES		
Taxes and special assessments	\$	\$ 1,356
Charges for services		
Intergovernmental		
Federal	264,901	
State	1,526,183	156,780
Interest and rent	964	1,660
Donations		
Contribution from component units	41,419	86,500
Other revenue	<u>320</u>	<u>112</u>
TOTAL REVENUES	<u>1,833,787</u>	<u>246,408</u>
EXPENDITURES		
Highways and streets	2,255,363	789,191
Culture and recreation		
Health and welfare		
Community development and enrichment		
Public safety		
TOTAL EXPENDITURES	<u>2,255,363</u>	<u>789,191</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(421,576)</u>	<u>(542,783)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in		187,000
Operating transfers out	<u>(45,916)</u>	<u>(94,492)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(45,916)</u>	<u>92,508</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(467,492)</u>	<u>(450,275)</u>
PRIOR PERIOD ADJUSTMENT		
FUND BALANCE, JULY 1	<u>889,010</u>	<u>579,149</u>
FUND BALANCE, JUNE 30	<u>\$ 421,518</u>	<u>\$ 128,874</u>

PARKS AND RECREATION	MT. HOPE CEMETERY	YOUTH MINI-GRANT	BUILDING DEPARTMENT	OAKDALE DEVELOPMENT
\$ 1,063,322	\$ 39,482	\$	\$ 324,155	\$
67,378	189	3	257	208
4,250				
224,363				62,686
9,555				
<u>1,368,868</u>	<u>39,671</u>	<u>3</u>	<u>324,412</u>	<u>62,894</u>
1,872,752	147,489			
			233,909	30,550
<u>1,872,752</u>	<u>147,489</u>		<u>233,909</u>	<u>30,550</u>
<u>(503,884)</u>	<u>(107,818)</u>	<u>3</u>	<u>90,503</u>	<u>32,344</u>
500,000	115,182		6,781	
(10,000)			(22,200)	(27,085)
<u>490,000</u>	<u>115,182</u>		<u>(15,419)</u>	<u>(27,085)</u>
(13,884)	7,364	3	75,084	5,259
<u>354,558</u>	<u>56,952</u>	<u>563</u>	<u>43,925</u>	<u>53,590</u>
\$ <u>340,674</u>	\$ <u>64,316</u>	\$ <u>566</u>	\$ <u>119,009</u>	\$ <u>58,849</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, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	POLICE K-9 PROGRAM	DRUG LAW ENFORCEMENT
REVENUES		
Taxes and special assessments	\$	\$
Charges for services		
Intergovernmental		
Federal		
State		
Interest and rent	41	42
Donations		
Contribution from component units		
Other revenue		1,267
	<hr/>	<hr/>
TOTAL REVENUES	41	1,309
	<hr/>	<hr/>
EXPENDITURES		
Highways and streets		
Culture and recreation		
Health and welfare		
Community development and enrichment		
Public safety	751	
	<hr/>	<hr/>
TOTAL EXPENDITURES	751	
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(710)	1,309
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	2,515	
Operating transfers out		
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	2,515	
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,805	1,309
	<hr/>	<hr/>
PRIOR PERIOD ADJUSTMENT		
FUND BALANCE, JULY 1	10,508	7,127
	<hr/>	<hr/>
FUND BALANCE, JUNE 30	\$ 12,313	\$ 8,436
	<hr/> <hr/>	<hr/> <hr/>

D.A.R.E.	SITE PLAN REVIEW	GENERAL FORFEITURE	PUBLIC SAFETY TRAINING
\$	\$	\$	\$
	19,550		
24	33	31	4,072
1,000			4
<hr/>	<hr/>	<hr/>	<hr/>
1,024	19,583	32	4,076
<hr/>	<hr/>	<hr/>	<hr/>
		63	
1,600	6,747		4,072
<hr/>	<hr/>	<hr/>	<hr/>
1,600	6,747		4,072
<hr/>	<hr/>	<hr/>	<hr/>
(576)	12,836	63	4
<hr/>	<hr/>	<hr/>	<hr/>
	3,475		
<hr/>	(15,144)	<hr/>	<hr/>
<hr/>	(11,669)	<hr/>	<hr/>
(576)	1,167	63	4
<hr/>	<hr/>	<hr/>	<hr/>
7,549	915	10,542	482
<hr/>	<hr/>	<hr/>	<hr/>
\$ 6,973	\$ 2,082	\$ 10,605	\$ 486
<hr/>	<hr/>	<hr/>	<hr/>

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - Concluded
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	MOBILE TRAINING UNIT	HOUSING RESOURCE
REVENUES		
Taxes and special assessments	\$	\$
Charges for services		
Intergovernmental		
Federal		34,980
State		7,446
Interest and rent	8	
Donations		
Contribution from component units		
Other revenue		2,510
TOTAL REVENUES	8	44,936
EXPENDITURES		
Highways and streets		
Culture and recreation		
Health and welfare		
Community development and enrichment		37,011
Public safety		
TOTAL EXPENDITURES		37,011
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8	7,925
OTHER FINANCING SOURCES (USES)		
Operating transfers in		
Operating transfers out		(20,000)
TOTAL OTHER FINANCING SOURCES (USES)		(20,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	8	(12,075)
PRIOR PERIOD ADJUSTMENT		
FUND BALANCE, JULY 1	2,807	49,383
FUND BALANCE, JUNE 30	\$ 2,815	\$ 37,308

TOTAL SPECIAL REVENUE 2016	ELIMINATION OF MAJOR FUNDS	TOTAL NON- MAJOR SPECIAL REVENUE 2016	SPECIAL REVENUE 2015
\$ 1,356	\$	\$ 1,356	\$ 1,683
1,446,509	(1,063,322)	383,187	1,424,416
299,881	(264,901)	34,980	452,448
1,694,481	(1,526,183)	168,298	779,765
70,842	(68,342)	2,500	53,637
5,250	(4,250)	1,000	12,258
414,968	(265,782)	149,186	547,869
13,796	(9,875)	3,921	173,973
<u>3,947,083</u>	<u>(3,202,655)</u>	<u>744,428</u>	<u>3,446,049</u>
3,044,554	(2,255,363)	789,191	1,541,387
1,872,752	(1,872,752)	147,489	1,807,662
147,489			145,920
308,217		308,217	346,187
6,423		6,423	6,032
<u>5,379,435</u>	<u>(4,128,115)</u>	<u>1,251,320</u>	<u>3,847,188</u>
<u>(1,432,352)</u>	<u>(925,460)</u>	<u>(506,892)</u>	<u>(401,139)</u>
814,953	(500,000)	314,953	1,925,291
<u>(234,837)</u>	<u>55,916</u>	<u>(178,921)</u>	<u>(256,470)</u>
<u>580,116</u>	<u>(444,084)</u>	<u>136,032</u>	<u>1,668,821</u>
(852,236)	481,376	(370,860)	1,267,682
<u>2,067,060</u>	<u>(1,243,568)</u>	<u>823,492</u>	<u>799,378</u>
<u>\$ 1,214,824</u>	<u>\$ (762,192)</u>	<u>\$ 452,632</u>	<u>\$ 2,067,060</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR STREET FUND
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>		VARIANCE FAVORABLE (UNFAVORABLE)	<u>2015</u>
	BUDGET	ACTUAL		ACTUAL
REVENUES				
State grants	\$ 1,395,539	\$ 1,526,183	\$ 130,644	\$ 606,854
Federal grant	309,000	264,901	(44,099)	79,487
Interest on investments	5	964	959	13
Contribution from component units	2,919	41,419	38,500	115,419
Other revenue	<u>107,700</u>	<u>320</u>	<u>(107,380)</u>	<u>12,949</u>
TOTAL REVENUES	1,815,163	1,833,787	18,624	814,722
EXPENDITURES				
Highways and streets	<u>2,390,984</u>	<u>2,255,363</u>	<u>135,621</u>	<u>766,326</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(575,821)</u>	<u>(421,576)</u>	<u>154,245</u>	<u>48,396</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in				801,949
Operating transfers out	<u>(45,916)</u>	<u>(45,916)</u>		<u>(65,125)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(45,916)</u>	<u>(45,916)</u>		<u>736,824</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(621,737)	(467,492)	154,245	785,220
FUND BALANCE, JULY 1	<u>889,010</u>	<u>889,010</u>		<u>103,790</u>
FUND BALANCE, JUNE 30	<u>\$ 267,273</u>	<u>\$ 421,518</u>	<u>\$ 154,245</u>	<u>\$ 889,010</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LOCAL STREET FUND
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		VARIANCE FAVORABLE (UNFAVORABLE)	2015
	BUDGET	ACTUAL		ACTUAL
REVENUES				
Special assessments	\$ 1,336	\$ 1,356	\$ 20	\$ 1,683
State grants	226,398	156,780	(69,618)	148,756
Federal grants				298,143
Interest on investments	350	1,660	1,310	450
Contributions from component unit	86,500	86,500		112,500
Other revenue		112	112	133,959
TOTAL REVENUES	314,584	246,408	(68,176)	695,491
EXPENDITURES				
Highways and streets	790,150	789,191	959	775,061
DEFICIENCY OF REVENUES OVER EXPENDITURES	(475,566)	(542,783)	(67,217)	(79,570)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	187,000	187,000		474,036
Operating transfers out	(94,492)	(94,492)		(84,612)
TOTAL OTHER FINANCING SOURCES (USES)	92,508	92,508		389,424
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(383,058)	(450,275)	(67,217)	309,854
FUND BALANCE, JULY 1	579,149	579,149		269,295
FUND BALANCE, JUNE 30	\$ 196,091	\$ 128,874	\$ (67,217)	\$ 579,149

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARKS AND RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		VARIANCE	2015
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Charges for services	\$ 1,099,100	\$ 1,063,322	\$ (35,778)	\$ 1,104,244
Interest and rent	49,455	67,378	17,923	52,511
Other revenues	11,500	13,805	2,305	17,727
Contribution from component units	304,988	224,363	(80,625)	273,365
TOTAL REVENUES	1,465,043	1,368,868	(96,175)	1,447,847
EXPENDITURES				
Culture and recreation	2,040,063	1,872,752	167,311	1,807,662
DEFICIENCY OF REVENUES OVER EXPENDITURES	(575,020)	(503,884)	71,136	(359,815)
OTHER FINANCING SOURCES				
Operating transfers in	500,000	500,000		500,000
Operating transfers out	(10,000)	(10,000)		(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	490,000	490,000		490,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(85,020)	(13,884)	71,136	130,185
FUND BALANCE, JULY 1	354,558	354,558		224,373
FUND BALANCE, JUNE 30	\$ 269,538	\$ 340,674	\$ 71,136	\$ 354,558

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MT. HOPE CEMETERY FUND
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>		VARIANCE FAVORABLE (UNFAVORABLE)	<u>2015</u>
	BUDGET	ACTUAL		ACTUAL
REVENUES				
Charges for services	\$ 32,000	\$ 39,482	\$ 7,482	\$ 37,211
Interest on investments	<u>50</u>	<u>189</u>	<u>139</u>	<u>124</u>
TOTAL REVENUES	32,050	39,671	7,621	37,335
EXPENDITURES				
Health and welfare	<u>147,232</u>	<u>147,489</u>	<u>(257)</u>	<u>145,920</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(115,182)</u>	<u>(107,818)</u>	<u>7,364</u>	<u>(108,585)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>115,182</u>	<u>115,182</u>		<u>136,791</u>
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		7,364	7,364	28,206
FUND BALANCE, JULY 1	<u>56,952</u>	<u>56,952</u>		<u>28,746</u>
FUND BALANCE, JUNE 30	<u>\$ 56,952</u>	<u>\$ 64,316</u>	<u>\$ 7,364</u>	<u>\$ 56,952</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YOUTH MINI-GRANT
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest income	\$ <u>1</u>	\$ <u>3</u>	\$ <u>2</u>	\$ <u>2</u>
EXCESS OF REVENUES OVER EXPENDITURES	1	3	2	2
FUND BALANCE, JULY 1	<u>563</u>	<u>563</u>	<u> </u>	<u>561</u>
FUND BALANCE, JUNE 30	<u>\$ <u>564</u></u>	<u>\$ <u>566</u></u>	<u>\$ <u>2</u></u>	<u>\$ <u>563</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BUILDING DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		VARIANCE FAVORABLE (UNFAVORABLE)	2015
	BUDGET	ACTUAL		ACTUAL
REVENUES				
Charges for services	\$ 252,700	\$ 324,155	\$ 71,455	\$ 277,125
Interest on investments	115	257	142	212
Other revenues	100		(100)	100
TOTAL REVENUES	252,915	324,412	71,497	277,437
EXPENDITURES				
Community development and enrichment	237,496	233,909	3,587	205,002
EXCESS OF REVENUES OVER EXPENDITURES	15,419	90,503	75,084	72,435
OTHER FINANCING USES				
Operating transfers in	6,781	6,781		
Operating transfers out	(22,200)	(22,200)		(40,000)
TOTAL OTHER FINANCING SOURCES (USES)	(15,419)	(15,419)		(40,000)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES		75,084	75,084	32,435
FUND BALANCE, JULY 1	43,925	43,925		11,490
FUND BALANCE, JUNE 30	\$ 43,925	\$ 119,009	\$ 75,084	\$ 43,925

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OAKDALE DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		VARIANCE FAVORABLE (UNFAVORABLE)	2015
	BUDGET	ACTUAL		ACTUAL
REVENUES				
Interest and rent	\$ 130	\$ 208	\$ 78	\$ 187
Contribution from component units	<u>62,686</u>	<u>62,686</u>	<u> </u>	<u>46,585</u>
TOTAL REVENUES	62,816	62,894	78	46,772
EXPENDITURES				
Community development and enrichment	<u>35,731</u>	<u>30,550</u>	<u>5,181</u>	<u>26,892</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>27,085</u>	<u>32,344</u>	<u>5,259</u>	<u>19,880</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
Operating transfers out	<u>(27,085)</u>	<u>(27,085)</u>	<u> </u>	<u>(26,533)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(27,085)</u>	<u>(27,085)</u>	<u> </u>	<u>(26,533)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		5,259	5,259	(6,653)
FUND BALANCE, JULY 1	<u>53,590</u>	<u>53,590</u>	<u> </u>	<u>60,243</u>
FUND BALANCE, JUNE 30	<u>\$ 53,590</u>	<u>\$ 58,849</u>	<u>\$ 5,259</u>	<u>\$ 53,590</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
POLICE K-9 PROGRAM
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest	\$ 17	\$ 41	\$ 24	\$ 29
Other revenue	<u>250</u>	<u> </u>	<u>(250)</u>	<u> </u>
TOTAL REVENUES	267	41	(226)	29
EXPENDITURES				
Public safety	<u>1,619</u>	<u>751</u>	<u>868</u>	<u>558</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,352)	(710)	642	(529)
OTHER FINANCING SOURCES				
Operating transfers in	<u>2,515</u>	<u>2,515</u>	<u> </u>	<u>2,515</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	1,163	1,805	642	1,986
FUND BALANCE, JULY 1	<u>10,508</u>	<u>10,508</u>	<u> </u>	<u>8,522</u>
FUND BALANCE, JUNE 30	<u>\$ 11,671</u>	<u>\$ 12,313</u>	<u>\$ 642</u>	<u>\$ 10,508</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DRUG LAW ENFORCEMENT
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest earnings	\$ 10	\$ 42	\$ 32	\$ 20
Other revenues	<u>500</u>	<u>1,267</u>	<u>767</u>	<u> </u>
TOTAL REVENUES	510	1,309	799	20
EXPENDITURES				
Public safety	<u>2,510</u>	<u> </u>	<u>2,510</u>	<u> </u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,000)	1,309	3,309	20
FUND BALANCE, JULY 1	<u>7,127</u>	<u>7,127</u>	<u> </u>	<u>7,107</u>
FUND BALANCE, JUNE 30	<u><u>\$ 5,127</u></u>	<u><u>\$ 8,436</u></u>	<u><u>\$ 3,309</u></u>	<u><u>\$ 7,127</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
D.A.R.E.
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		VARIANCE	2015
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest earnings	\$ 15	\$ 24	\$ 9	\$ 24
Other revenues	<u>1,000</u>	<u>1,000</u>	<u> </u>	<u>800</u>
TOTAL REVENUES	1,015	1,024	9	824
EXPENDITURES				
Public safety	<u>2,500</u>	<u>1,600</u>	<u>900</u>	<u>1,569</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,485)	(576)	909	(745)
FUND BALANCE, JULY 1	<u>7,549</u>	<u>7,549</u>	<u> </u>	<u>8,294</u>
FUND BALANCE, JUNE 30	<u><u>\$ 6,064</u></u>	<u><u>\$ 6,973</u></u>	<u><u>\$ 909</u></u>	<u><u>\$ 7,549</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SITE PLAN REVIEW
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		VARIANCE FAVORABLE (UNFAVORABLE)	2015
	BUDGET	ACTUAL		ACTUAL
REVENUES				
Charges for services	\$ 18,500	\$ 19,550	\$ 1,050	\$ 5,836
Interest earnings	<u>25</u>	<u>33</u>	<u>8</u>	<u>24</u>
TOTAL REVENUES	18,525	19,583	1,058	5,860
EXPENDITURES				
Community development and enrichment	<u>9,000</u>	<u>6,747</u>	<u>2,253</u>	<u>5,968</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>9,525</u>	<u>12,836</u>	<u>3,311</u>	<u>(108)</u>
OTHER FINANCING USES				
Operating transfers in	3,475	3,475		10,000
Operating transfers out	<u>(13,000)</u>	<u>(15,144)</u>	<u>(2,144)</u>	<u>(10,200)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,525)</u>	<u>(11,669)</u>	<u>(2,144)</u>	<u>(200)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES		1,167	1,167	(308)
FUND BALANCE, JULY 1	<u>915</u>	<u>915</u>		<u>1,223</u>
FUND BALANCE, JUNE 30	<u><u>\$ 915</u></u>	<u><u>\$ 2,082</u></u>	<u><u>\$ 1,167</u></u>	<u><u>\$ 915</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FORFEITURE
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		VARIANCE	2015
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest earnings	\$ 18	\$ 31	\$ 13	\$ 31
Other revenue	<u>250</u>	<u>32</u>	<u>(218)</u>	<u>149</u>
TOTAL REVENUES	268	63	(205)	180
EXPENDITURES				
Public safety	<u>1,000</u>	<u> </u>	<u>1,000</u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(732)	63	795	180
FUND BALANCE, JULY 1	<u>10,542</u>	<u>10,542</u>	<u> </u>	<u>10,362</u>
FUND BALANCE, JUNE 30	<u>\$ 9,810</u>	<u>\$ 10,605</u>	<u>\$ 795</u>	<u>\$ 10,542</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PUBLIC SAFETY TRAINING
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
State grants	\$ 4,200	\$ 4,072	\$ (128)	\$ 3,905
Interest earnings	<u>1</u>	<u>4</u>	<u>3</u>	<u>2</u>
TOTAL REVENUES	4,201	4,076	(125)	3,907
EXPENDITURES				
Public safety	<u>4,200</u>	<u>4,072</u>	<u>128</u>	<u>3,905</u>
EXCESS OF REVENUES OVER EXPENDITURES	1	4	3	2
FUND BALANCE, JULY 1	<u>482</u>	<u>482</u>	<u></u>	<u>480</u>
FUND BALANCE, JUNE 30	<u><u>\$ 483</u></u>	<u><u>\$ 486</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 482</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MOBILE TRAINING UNIT
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest and rentals	\$ 104	\$ 8	\$ (96)	\$ 8
EXPENDITURES				
Public safety	100		100	
EXCESS OF REVENUES OVER EXPENDITURES	4	8	4	8
FUND BALANCE, JULY 1	2,807	2,807		2,799
FUND BALANCE, JUNE 30	\$ 2,811	\$ 2,815	\$ 4	\$ 2,807

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOUSING RESOURCE FUND
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		VARIANCE FAVORABLE (UNFAVORABLE)	2015
	BUDGET	ACTUAL		ACTUAL
REVENUES				
Federal grants	\$ 278,000	\$ 34,980	\$ (243,020)	\$ 74,818
State grants	22,000	7,446	(14,554)	20,250
Other revenues	<u>150,000</u>	<u>2,510</u>	<u>(147,490)</u>	<u>20,547</u>
TOTAL REVENUES	450,000	44,936	(405,064)	115,615
EXPENDITURES				
Community development and enrichment	<u>430,000</u>	<u>37,011</u>	<u>392,989</u>	<u>108,325</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>20,000</u>	<u>7,925</u>	<u>(12,075)</u>	<u>7,290</u>
OTHER FINANCING USES				
Operating transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u></u>	<u>(20,000)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES		(12,075)	(12,075)	(12,710)
FUND BALANCE, JULY 1	<u>49,383</u>	<u>49,383</u>	<u></u>	<u>62,093</u>
FUND BALANCE, JUNE 30	<u><u>\$ 49,383</u></u>	<u><u>\$ 37,308</u></u>	<u><u>\$ (12,075)</u></u>	<u><u>\$ 49,383</u></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 2006 General Obligation Limited Tax Bonds, 2007 General Obligation Limited Tax Bonds, 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, 2006 Special Assessment Bonds, 2007 Special Assessment Bonds, 2008 Series A Special Assessment Bonds, 2010 Special Assessment Bonds, 2011 Special Assessment Bonds, 2005 Equipment Financing, 2008 Equipment Financing, 2008 Series A Equipment Financing, and 2001 Building Authority Bonds.

CITY OF LAPEER, MICHIGAN

COMBINING BALANCE SHEET

DEBT SERVICE FUNDS

JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	2006 GENERAL OBLIGATION LIMITED TAX BONDS	2007 GENERAL OBLIGATION LIMITED TAX BONDS	2008 GENERAL OBLIGATION LIMITED TAX BONDS
ASSETS			
Cash	\$ 2	\$ 16,368	\$ 185
Assessments receivable			
Due from other funds	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u> 2</u>	\$ <u> 16,368</u>	\$ <u> 185</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Due to other funds	<u> </u>	<u> </u>	<u> </u>
DEFERRED INFLOWS OF RESOURCES			
Special assessments	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE			
Restricted for debt service	<u> 2</u>	<u> 16,368</u>	<u> 185</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ <u> 2</u>	\$ <u> 16,368</u>	\$ <u> 185</u>

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
\$ 4,298	\$ 3,555,022	\$ 1,208	\$ 6,844	\$ 19,168
	2,466,796			
	112,117			
<u>\$ 4,298</u>	<u>\$ 6,133,935</u>	<u>\$ 1,208</u>	<u>\$ 6,844</u>	<u>\$ 19,168</u>
	2,466,796			
<u>4,298</u>	<u>3,667,139</u>	<u>1,208</u>	<u>6,844</u>	<u>19,168</u>
<u>\$ 4,298</u>	<u>\$ 6,133,935</u>	<u>\$ 1,208</u>	<u>\$ 6,844</u>	<u>\$ 19,168</u>

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS - Continued
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	2006 SPECIAL ASSESSMENT BONDS	2007 SPECIAL ASSESSMENT BONDS
ASSETS		
Cash	\$ 1,095	\$ 81,532
Assessments receivable		2,930
Due from other funds	<u>3,985</u>	<u>200</u>
TOTAL ASSETS	<u>\$ 5,080</u>	<u>\$ 84,662</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Due to other funds	<u> </u>	<u> </u>
DEFERRED INFLOWS OF RESOURCES		
Special assessments	<u> </u>	<u>2,930</u>
FUND BALANCE		
Restricted for debt service	<u>5,080</u>	<u>81,732</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 5,080</u>	<u>\$ 84,662</u>

2008 SERIES A SPECIAL ASSESSMENT BONDS	2010 SPECIAL ASSESSMENT BONDS	2011 SPECIAL ASSESSMENT BONDS	2005 EQUIPMENT FINANCING	2008 EQUIPMENT FINANCING
\$ 25,112	\$ 100,721	\$ 140,007	\$ 114	\$ 11,571
8,919	31,487	117,335		
<u>490</u>	<u>2,368</u>	<u>1,802</u>		
\$ <u>34,521</u>	\$ <u>134,576</u>	\$ <u>259,144</u>	\$ <u>114</u>	\$ <u>11,571</u>
	182			
<u>8,919</u>	<u>31,487</u>	<u>117,335</u>		
<u>25,602</u>	<u>102,907</u>	<u>141,809</u>	<u>114</u>	<u>11,571</u>
\$ <u>34,521</u>	\$ <u>134,576</u>	\$ <u>259,144</u>	\$ <u>114</u>	\$ <u>11,571</u>

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS - Concluded
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	2008 SERIES A EQUIPMENT FINANCING	2001 BUILDING AUTHORITY BONDS
ASSETS		
Cash	\$ 2	\$ 13
Assessments receivable		
Due from other funds	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u> 2</u>	\$ <u> 13</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Due to other funds	<u> </u>	<u> </u>
 DEFERRED INFLOWS OF RESOURCES		
Special assessments	<u> </u>	<u> </u>
 FUND BALANCE		
Restricted for debt service	<u> 2</u>	<u> 13</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ <u> 2</u>	\$ <u> 13</u>

TOTAL DEBT SERVICE 2016	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR DEBT SERVICE 2016	TOTAL DEBT SERVICE 2015
\$ 3,963,262	\$ (3,555,022)	\$ 408,240	\$ 3,676,137
2,627,467	(2,466,796)	160,671	3,841,028
<u>120,962</u>	<u>(112,117)</u>	<u>8,845</u>	<u>129,255</u>
\$ <u><u>6,711,691</u></u>	\$ <u><u>(6,133,935)</u></u>	\$ <u><u>577,756</u></u>	\$ <u><u>7,646,420</u></u>
<u>182</u>	<u> </u>	<u>182</u>	<u> </u>
<u>2,627,467</u>	<u>(2,466,796)</u>	<u>160,671</u>	<u>3,841,028</u>
<u>4,084,042</u>	<u>(3,667,139)</u>	<u>416,903</u>	<u>3,805,392</u>
\$ <u><u>6,711,691</u></u>	\$ <u><u>(6,133,935)</u></u>	\$ <u><u>577,756</u></u>	\$ <u><u>7,646,420</u></u>

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	2006 GENERAL OBLIGATION LIMITED TAX BONDS	2007 GENERAL OBLIGATION LIMITED TAX BONDS	2008 GENERAL OBLIGATION LIMITED TAX BONDS
REVENUES			
Taxes and special assessments	\$	\$	\$
Interest earnings		30	
Other revenues			
TOTAL REVENUES		30	
EXPENDITURES			
Debt Service			
Principal retirement	60,000	10,000	345,000
Interest and fiscal charges	2,670	2,133	59,400
TOTAL EXPENDITURES	62,670	12,133	404,400
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(62,670)	(12,103)	(404,400)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	61,769	3,931	404,400
Operating transfers out			
TOTAL OTHER FINANCING SOURCES (USES)	61,769	3,931	404,400
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(901)	(8,172)	
FUND BALANCE, JULY 1	903	24,540	185
FUND BALANCE, JUNE 30	\$ 2	\$ 16,368	\$ 185

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
\$ 8	\$ 1,318,158 5,067	\$ 2	\$ 33 61,452	\$ 26
<u>8</u>	<u>1,323,225</u>	<u>2</u>	<u>61,485</u>	<u>26</u>
15,000 <u>1,916</u>	645,000 <u>88,161</u>	20,000 <u>4,490</u>	120,000 <u>15,833</u>	<u>60,939</u>
<u>16,916</u>	<u>733,161</u>	<u>24,490</u>	<u>135,833</u>	<u>60,939</u>
<u>(16,908)</u>	<u>590,064</u>	<u>(24,488)</u>	<u>(74,348)</u>	<u>(60,913)</u>
<u>14,702</u>	<u>130,817</u> <u>(404,400)</u>	<u>24,489</u>	<u>75,108</u>	<u>80,081</u>
<u>14,702</u>	<u>(273,583)</u>	<u>24,489</u>	<u>75,108</u>	<u>80,081</u>
(2,206)	316,481	1	760	19,168
<u>6,504</u>	<u>3,350,658</u>	<u>1,207</u>	<u>6,084</u>	
<u>\$ 4,298</u>	<u>\$ 3,667,139</u>	<u>\$ 1,208</u>	<u>\$ 6,844</u>	<u>\$ 19,168</u>

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
DEBT SERVICE FUNDS - Continued
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	2006 SPECIAL ASSESSMENT BONDS	2007 SPECIAL ASSESSMENT BONDS
REVENUES		
Taxes and special assessments	\$ 18,690	\$ 3,250
Interest earnings	11	130
Other revenues	<u> </u>	<u> </u>
TOTAL REVENUES	<u>18,701</u>	<u>3,380</u>
EXPENDITURES		
Debt Service		
Principal retirement	30,000	15,000
Interest and fiscal charges	<u>1,485</u>	<u>2,626</u>
TOTAL EXPENDITURES	<u>31,485</u>	<u>17,626</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(12,784)</u>	<u>(14,246)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	<u> </u>	<u> </u>
Operating transfers out	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(12,784)	(14,246)
FUND BALANCE, JULY 1	<u>17,864</u>	<u>95,978</u>
FUND BALANCE, JUNE 30	<u>\$ 5,080</u>	<u>\$ 81,732</u>

2008 SERIES A SPECIAL ASSESSMENT BONDS	2010 SPECIAL ASSESSMENT BONDS	2011 SPECIAL ASSESSMENT BONDS	2005 EQUIPMENT FINANCING	2008 EQUIPMENT FINANCING
\$ 5,177	\$ 43,250	\$ 39,104		\$ 21
42	157	250		
<hr/>	<hr/>	<hr/>	14,319	<hr/> 159,316
5,219	43,407	39,354	14,319	<hr/> 159,337
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
10,000	35,000	35,000	12,283	158,364
988	7,040	13,850	2,036	20,032
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
10,988	42,040	48,850	14,319	<hr/> 178,396
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(5,769)	1,367	(9,496)		<hr/> (19,059)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
				16,761
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
				16,761
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(5,769)	1,367	(9,496)		(2,298)
31,371	101,540	151,305	114	<hr/> 13,869
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 25,602	\$ 102,907	\$ 141,809	\$ 114	\$ <hr/> 11,571
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
DEBT SERVICE FUNDS - Concluded
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	2008 SERIES A EQUIPMENT FINANCING	2001 BUILDING AUTHORITY BONDS
REVENUES		
Taxes and special assessments	\$	\$
Interest earnings		4
Other revenues	<u> </u>	<u> </u>
TOTAL REVENUES	<u> </u>	<u> 4</u>
EXPENDITURES		
Debt Service		
Principal retirement		155,000
Interest and fiscal charges		<u>7,585</u>
TOTAL EXPENDITURES	<u> </u>	<u> 162,585</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u> </u>	<u> (162,581)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in		159,326
Operating transfers out		<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u> </u>	<u> 159,326</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u> </u>	<u> (3,255)</u>
FUND BALANCE, JULY 1	<u> 2</u>	<u> 3,268</u>
FUND BALANCE, JUNE 30	<u><u> 2</u></u>	<u><u> 13</u></u>

TOTAL DEBT SERVICE 2016	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR DEBT SERVICE 2016	TOTAL DEBT SERVICE 2015
\$ 1,427,629	\$ (1,318,158)	\$ 109,471	\$ 1,311,607
5,781	(5,067)	714	5,407
<u>235,087</u>		<u>235,087</u>	<u>248,619</u>
<u>1,668,497</u>	<u>(1,323,225)</u>	<u>345,272</u>	<u>1,565,633</u>
1,665,647	(645,000)	1,020,647	1,841,475
<u>291,184</u>	<u>(88,161)</u>	<u>203,023</u>	<u>306,090</u>
<u>1,956,831</u>	<u>(733,161)</u>	<u>1,223,670</u>	<u>2,147,565</u>
<u>(288,334)</u>	<u>(590,064)</u>	<u>(878,398)</u>	<u>(581,932)</u>
971,384	(130,817)	840,567	1,084,017
<u>(404,400)</u>	<u>404,400</u>		<u>(414,825)</u>
<u>566,984</u>	<u>273,583</u>	<u>840,567</u>	<u>669,192</u>
278,650	(316,481)	(37,831)	87,260
<u>3,805,392</u>	<u>(3,350,658)</u>	<u>454,734</u>	<u>3,718,132</u>
<u>\$ 4,084,042</u>	<u>\$ (3,667,139)</u>	<u>\$ 416,903</u>	<u>\$ 3,805,392</u>

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CAPITAL PROJECTS FUNDS

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

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

The City's Capital Projects Funds include the Land Acquisition, Infrastructure and 2015 General Obligation Construction.

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS

JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	LAND ACQUISITION	INFRA- STRUCTURE	2015 GENERAL OBLIGATION CONSTRUCTION
ASSETS			
Cash	\$ 990,809	\$	\$
Investments	669,631		
Accounts receivable		60,928	
Land held for investment	<u>1,168,598</u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 2,829,038</u></u>	<u><u>\$ 60,928</u></u>	<u><u>\$</u></u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$	\$ 20,714	\$
Prepaid lease	226,200		
Due to other funds	<u>2,148,015</u>	<u>2,166</u>	<u> </u>
TOTAL LIABILITIES	<u>2,374,215</u>	<u>22,880</u>	<u> </u>
 FUND BALANCE			
Assigned	<u>454,823</u>	<u>38,048</u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,829,038</u></u>	<u><u>\$ 60,928</u></u>	<u><u>\$</u></u>

TOTAL CAPITAL PROJECTS 2016	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR CAPITAL PROJECTS 2016	TOTAL CAPITAL PROJECTS 2015
\$ 990,809	\$ (990,809)	\$	\$ 856,952
669,631	(669,631)		469,179
60,928		60,928	2,388,428
<u>1,168,598</u>	<u>(1,168,598)</u>	<u> </u>	<u> </u>
<u>\$ 2,889,966</u>	<u>\$ (2,829,038)</u>	<u>\$ 60,928</u>	<u>\$ 3,714,559</u>
\$ 20,714	\$	\$ 20,714	\$ 115,905
226,200	(226,200)		
<u>2,150,181</u>	<u>(2,148,015)</u>	<u>2,166</u>	<u>4,406,871</u>
<u>2,397,095</u>	<u>(2,374,215)</u>	<u>22,880</u>	<u>4,522,776</u>
<u>492,871</u>	<u>(454,823)</u>	<u>38,048</u>	<u>(808,217)</u>
<u>\$ 2,889,966</u>	<u>\$ (2,829,038)</u>	<u>\$ 60,928</u>	<u>\$ 3,714,559</u>

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	LAND ACQUISITION	INFRA- STRUCTURE	2015 GENERAL OBLIGATION CONSTRUCTION
REVENUES			
Interest	\$ 3,714	\$ 105	\$ 24
Other	<u>563,723</u>	<u>82,672</u>	<u>2,665</u>
TOTAL REVENUES	<u>567,437</u>	<u>82,777</u>	<u>2,689</u>
EXPENDITURES			
Capital outlay	306,244	216,954	
Other	<u> </u>	<u>4,636</u>	<u> </u>
TOTAL EXPENDITURES	<u>306,244</u>	<u>221,590</u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>261,193</u>	<u>(138,813)</u>	<u>2,689</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds			
Operating transfers in	22,200	112,000	
Operating transfers out	<u>(62,818)</u>	<u>(30,272)</u>	<u>(33,689)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(40,618)</u>	<u>81,728</u>	<u>(33,689)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES OTHER USES	220,575	(57,085)	(31,000)
FUND BALANCE, JULY 1	(934,350)	95,133	31,000
PRIOR PERIOD ADJUSTMENT	<u>1,168,598</u>	<u> </u>	<u> </u>
FUND BALANCE, JUNE 30	<u>\$ 454,823</u>	<u>\$ 38,048</u>	<u>\$ </u>

TOTAL CAPITAL PROJECTS 2016	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR CAPITAL PROJECTS 2016	TOTAL CAPITAL PROJECTS 2015
\$ 3,843	\$ (3,714)	\$ 129	\$ 3,408
<u>649,060</u>	<u>(563,723)</u>	<u>85,337</u>	<u>242,958</u>
<u>652,903</u>	<u>(567,437)</u>	<u>85,466</u>	<u>246,366</u>
523,198	(306,244)	216,954	1,244,263
<u>4,636</u>	<u></u>	<u>4,636</u>	<u>95,444</u>
<u>527,834</u>	<u>(306,244)</u>	<u>221,590</u>	<u>1,339,707</u>
<u>125,069</u>	<u>(261,193)</u>	<u>(136,124)</u>	<u>(1,093,341)</u>
134,200	(22,200)	112,000	2,375,000
<u>(126,779)</u>	<u>62,818</u>	<u>(63,961)</u>	<u>995,125</u>
<u>7,421</u>	<u>40,618</u>	<u>48,039</u>	<u>(2,411,791)</u>
132,490	(220,575)	(88,085)	(135,007)
(808,217)	934,350	126,133	(673,210)
<u>1,168,598</u>	<u>(1,168,598)</u>	<u></u>	<u></u>
<u>\$ 492,871</u>	<u>\$ (454,823)</u>	<u>\$ 38,048</u>	<u>\$ (808,217)</u>

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INTERNAL SERVICE FUNDS

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

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

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS

JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	MOTOR POOL	INFORMATION TECHNOLOGY
ASSETS		
CURRENT ASSETS		
Cash	\$ 452,061	\$ 270,387
Investments		
Inventory	48,155	
Accounts receivable		
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	500,216	270,387
FIXED ASSETS		
Land and improvements	22,328	
Vehicles and equipment	3,164,117	88,934
Accumulated depreciation	(2,222,839)	(70,446)
	<hr/>	<hr/>
NET FIXED ASSETS	963,606	18,488
TOTAL ASSETS	1,463,822	288,875
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid expenses	4,745	
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,468,567	\$ 288,875
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 45,200	\$ 8,642
Accrued expenses	2,557	
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	47,757	8,642
NET POSITION		
Net position	1,372,655	280,233
Reserved for inventory	48,155	
	<hr/>	<hr/>
TOTAL NET POSITION	1,420,810	280,233
TOTAL LIABILITIES AND NET POSITION	\$ 1,468,567	\$ 288,875

TELEPHONE
COMMUNICATION

2016

TOTALS

2015

\$ 133,811	\$ 856,259	\$ 797,137
	48,155	253,650
<hr/>	<hr/>	<hr/>
133,811	904,414	1,097,185
	22,328	22,328
	3,253,051	3,068,426
<hr/>	<hr/>	<hr/>
	(2,293,285)	(2,337,180)
	982,094	753,574
<hr/>	<hr/>	<hr/>
133,811	1,886,508	1,850,759
	4,745	4,936
<hr/>	<hr/>	<hr/>
\$ <u>133,811</u>	\$ <u>1,891,253</u>	\$ <u>1,855,695</u>
\$ 1,409	\$ 55,251	\$ 98,336
<hr/>	<hr/>	<hr/>
1,409	2,557	7,197
<hr/>	<hr/>	<hr/>
132,402	57,808	105,533
	1,785,290	1,711,148
<hr/>	<hr/>	<hr/>
132,402	48,155	39,014
<hr/>	<hr/>	<hr/>
133,811	1,833,445	1,750,162
<hr/>	<hr/>	<hr/>
\$ <u>133,811</u>	\$ <u>1,891,253</u>	\$ <u>1,855,695</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	MOTOR POOL	INFORMATION TECHNOLOGY
OPERATING REVENUES		
Equipment rentals	\$ <u>818,459</u>	\$ <u>197,272</u>
OPERATING EXPENSES		
Salaries and wages	117,135	
Fringe benefits	125,150	
Office supplies	698	
Operating supplies	209,328	
Administrative fees	21,038	
Professional and contractual services	11,935	
Insurance and bonds	41,238	1,721
Public utilities	6,627	
Repairs and maintenance	4,885	96,687
Rental	4,663	
Miscellaneous	2,739	
Depreciation	166,340	7,400
Capital outlay	4,413	24,785
Conferences	<u>614</u>	
TOTAL OPERATING EXPENSES	<u>716,803</u>	<u>130,593</u>
OPERATING INCOME	<u>101,656</u>	<u>66,679</u>
NONOPERATING REVENUE		
Interest income	1,392	810
Gain on sale of fixed assets	<u>54,437</u>	
TOTAL NONOPERATING REVENUE	<u>55,829</u>	<u>810</u>
OPERATING TRANSFERS		
Operating transfers in	10,000	
Operating transfers out	<u>(85,000)</u>	<u>(85,000)</u>
TOTAL OPERATING TRANSFERS	<u>(75,000)</u>	<u>(85,000)</u>
NET INCOME (LOSS)	82,485	(17,511)
NET POSITION, JULY 1	<u>1,338,325</u>	<u>297,744</u>
NET POSITION, JUNE 30	<u>\$ <u>1,420,810</u></u>	<u>\$ <u>280,233</u></u>

TELEPHONE
COMMUNICATION

2016

TOTALS

2015

\$ 54,551

\$ 1,070,282

\$ 1,127,767

117,135
125,150
698
209,328
21,038

104,929
84,339
778
235,902
18,980

372
17,955
3,287

11,935
43,331
24,582
104,859
4,663
2,739
173,740
29,198
614

9,821
69,192
12,594
115,895
5,633
1,511
182,560
25,580
535

21,614

869,010

868,249

32,937

201,272

259,518

372

2,574
54,437

2,756
10,268

372

57,011

13,024

(15,000)

10,000
(185,000)

10,000
(185,000)

(15,000)

(175,000)

(175,000)

18,309

83,283

97,542

114,093

1,750,162

1,652,620

\$ 132,402

\$ 1,833,445

\$ 1,750,162

CITY OF LAPEER, MICHIGAN
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	MOTOR POOL	INFORMATION TECHNOLOGY
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from interfund charges	\$ 825,843	\$ 197,272
Cash payment for goods and services	(295,669)	(123,133)
Cash payment for employees	<u>(312,818)</u>	<u> </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>217,356</u>	<u>74,139</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in	10,000	
Operating transfers out	<u>(85,000)</u>	<u>(85,000)</u>
NET CASH PROVIDED BY (USED IN) NON- CAPITAL FINANCING ACTIVITIES	<u>(75,000)</u>	<u>(85,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment for capital acquisitions	(412,493)	
Sale of capital assets	64,670	
Increase in investments	<u>253,650</u>	<u> </u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(94,173)</u>	<u> </u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>1,392</u>	<u>810</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	49,575	(10,051)
CASH AND CASH EQUIVALENTS, JULY 1	<u>402,486</u>	<u>280,438</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 452,061</u></u>	<u><u>\$ 270,387</u></u>

TELEPHONE COMMUNICATION	2016	TOTAL	2015
\$ 54,551	\$ 1,077,666		\$ 1,120,383
(20,325)	(439,127)		(454,900)
<u> </u>	<u>(312,818)</u>		<u>(188,555)</u>
<u>34,226</u>	<u>325,721</u>		<u>476,928</u>
<u>(15,000)</u>	<u>10,000</u>		<u>10,000</u>
	(185,000)		(185,000)
<u>(15,000)</u>	<u>(175,000)</u>		<u>(175,000)</u>
<u> </u>	(412,493)		(352,528)
	64,670		26,002
<u> </u>	<u>253,650</u>		<u>(253,650)</u>
<u> </u>	<u>(94,173)</u>		<u>(580,176)</u>
<u>372</u>	<u>2,574</u>		<u>2,756</u>
19,598	59,122		(275,492)
<u>114,213</u>	<u>797,137</u>		<u>1,072,629</u>
\$ <u><u>133,811</u></u>	\$ <u><u>856,259</u></u>		\$ <u><u>797,137</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS - Concluded
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	MOTOR POOL	INFORMATION TECHNOLOGY
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ <u>101,656</u>	\$ <u>66,679</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	166,340	7,400
Gain on sale of assets		
(Increase) decrease in inventory	(9,141)	
(Increase) decrease in accounts receivable	7,384	
(Increase) decrease in prepaid expenses	191	
Increase (decrease) in accounts payable	(44,434)	60
Increase (decrease) in accrued expenses	<u>(4,640)</u>	<u> </u>
Total adjustments	<u>115,700</u>	<u>7,460</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>217,356</u></u>	\$ <u><u>74,139</u></u>

TELEPHONE COMMUNICATION	2016	TOTAL	2015
\$ <u>32,937</u>	\$ <u>201,272</u>		\$ <u>259,518</u>
	173,740		182,560
	(9,141)		(10,268)
	7,384		(314)
	191		(7,384)
1,289	(43,085)		189
<u>1,289</u>	<u>(4,640)</u>		<u>51,914</u>
	<u>124,449</u>		<u>713</u>
			<u>217,410</u>
\$ <u><u>34,226</u></u>	\$ <u><u>325,721</u></u>		\$ <u><u>476,928</u></u>

CITY OF LAPEER, MICHIGAN
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER
STATEMENT OF CASH FLOWS TO THE COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	CASH	INVESTMENT	STATEMENT OF CASH FLOWS TOTAL
CASH AND CASH EQUIVALENTS, JULY 1	\$ 797,137	\$	\$ 797,137
NET INCREASE	<u>59,122</u>	<u> </u>	<u>59,122</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 856,259</u></u>	<u><u>\$</u></u>	<u><u>\$ 856,259</u></u>

PERMANENT FUND

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

CITY OF LAPEER, MICHIGAN
BALANCE SHEET
PERMANENT FUND
MT. HOPE CEMETERY PERPETUAL CARE
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	2016	2015
ASSETS		
Cash	\$ <u>9,083</u>	\$ <u>8,658</u>
FUND BALANCE		
Committed for cemetery perpetual care	8,742	8,317
Unreserved	<u>341</u>	<u>341</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>9,083</u>	\$ <u>8,658</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, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	2016	2015
REVENUES		
Donations and rights	\$ 425	\$ 660
Interest and rent	<u>27</u>	<u>23</u>
TOTAL REVENUES	<u>452</u>	<u>683</u>
EXCESS OF REVENUES OVER EXPENDITURES	452	683
OTHER FINANCING USES		
Operating transfers out	<u>(27)</u>	<u>(23)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES	425	660
FUND BALANCE, JULY 1	<u>8,658</u>	<u>7,998</u>
FUND BALANCE, JUNE 30	<u><u>\$ 9,083</u></u>	<u><u>\$ 8,658</u></u>

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GENERAL LONG-TERM DEBT ACCOUNT GROUP

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

CITY OF LAPEER, MICHIGAN
STATEMENT OF GENERAL LONG-TERM DEBT
GENERAL LONG-TERM DEBT ACCOUNT GROUP
JUNE 30, 2016

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

Amount available in Debt Service Funds	\$ 4,084,042
Amount to be provided for payment of long-term debt	<u>3,397,066</u>

TOTAL	<u>\$ 7,481,108</u>
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GENERAL LONG-TERM DEBT PAYABLE

2009 General Obligation Tax Bonds	\$ 1,830,000
2008 Series A General Obligation Tax Bonds	40,000
2008 Series A Special Assessment Bonds	20,000
2008 General Obligation Tax Bonds	1,035,000
2007 Special Assessment Bonds	40,000
Accumulated Compensated Absences	524,085
2011 Special Assessment Bonds	225,000
2007 General Obligation Bonds	30,000
2010 General Obligation Tax Bonds	90,000
2010 Special Assessment Bonds	150,000
2015 General Obligation Tax Bonds	2,375,000
Energy Savings Contract	422,266
Abstract Building	39,757
2013 General Obligation Tax Bonds	<u>660,000</u>

TOTAL	<u>\$ 7,481,108</u>
-------	---------------------

CAPITAL ASSETS

CITY OF LAPEER, MICHIGAN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	2016	2015
General Fixed Assets		
Land	\$ 24,691,654	\$ 25,467,543
Construction in progress	331,300	327,304
Buildings	5,907,974	5,815,993
Improvements other than buildings	5,744,388	5,728,928
Machinery and equipment	3,901,894	3,806,850
Infrastructure	<u>45,818,762</u>	<u>43,322,403</u>
 TOTAL	 <u>\$ 86,395,972</u>	 <u>\$ 84,469,021</u>

CITY OF LAPEER, MICHIGAN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2016

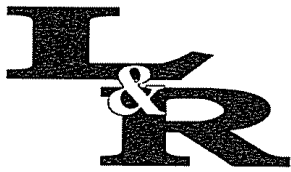
	GENERAL FIXED ASSETS JULY 1, 2015	ADDITIONS	DELETIONS	GENERAL FIXED ASSETS JUNE 30, 2016
General Government				
City Hall	\$ 1,032,885	\$	\$	\$ 1,032,885
Accounting	103,196			103,196
Assessor	14,766			14,766
Building department		26,105		26,105
City Commission	200,079			200,079
City Manager	26,702			26,702
Geographic information systems	7,897			7,897
Information technology	66,500			66,500
Income tax	1,657			1,657
Planning	8,037,957	395,709	1,171,598	7,262,068
Train depot	358,952			358,952
Cemetery	272,521			272,521
Total General Government	<u>10,123,112</u>	<u>421,814</u>	<u>1,171,598</u>	<u>9,373,328</u>
Public Safety				
Police	1,628,316	65,950	11,847	1,682,419
Fire	4,617,187	58,865		4,676,052
Parking	768,039			768,039
Housing rehabilitation	1,381,414			1,381,414
Total Public Safety	<u>8,394,956</u>	<u>124,815</u>	<u>11,847</u>	<u>8,507,924</u>
Parks and Recreation				
Parks	3,655,408	153,255		3,808,663
Recreation	3,170			3,170
Trailer park	203,811			203,811
Community center	896,008			896,008
Total Parks and Recreation	<u>4,758,397</u>	<u>153,255</u>		<u>4,911,652</u>
Public Works	<u>61,192,556</u>	<u>2,461,762</u>	<u>51,250</u>	<u>63,603,068</u>
Total General Fixed Assets	<u>\$ 84,469,021</u>	<u>\$ 3,161,646</u>	<u>\$ 1,234,695</u>	<u>\$ 86,395,972</u>
Component Units				
Tax Increment Finance Authority	\$ 6,652,361	\$	\$	\$ 6,652,361
Local Development Finance Authority	206,774			206,774
Downtown Development Authority	833,062	90,792		923,854
Total Component Units	<u>\$ 7,692,197</u>	<u>\$ 90,792</u>	<u>\$</u>	<u>\$ 7,782,989</u>

CITY OF LAPEER, MICHIGAN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2016

	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS
General Government			
City Hall	\$ 1,200	\$ 952,794	\$ 78,891
Accounting			
Assessor			
Building department		17,850	
City Commission		200,079	
City Manager			
Geographic information systems			
Information technology			
Income tax			
Planning	6,765,217	460,886	32,625
Train depot	42,857	37,161	271,144
Cemetery	105,469	26,990	135,062
	<u>6,914,743</u>	<u>1,695,760</u>	<u>517,722</u>
Total General Government			
Public Safety			
Police	448,263	1,055,062	
Fire	448,263	1,055,062	
Parking	768,039		
Housing rehabilitation	1,324,486	50,233	
	<u>2,989,051</u>	<u>2,160,357</u>	
Total Public Safety			
Parks and Recreation			
Parks	857,759	322,037	2,459,384
Recreation			
Trailer park			203,811
Community center	208,262	174,044	356,504
	<u>1,066,021</u>	<u>496,081</u>	<u>3,019,699</u>
Total Parks and Recreation			
Public Works	<u>13,721,839</u>	<u>1,555,776</u>	<u>2,206,967</u>
Total General Fixed Assets	<u>\$ 24,691,654</u>	<u>\$ 5,907,974</u>	<u>\$ 5,744,388</u>
Component Units			
Tax Increment Finance Authority	\$ 14,400	\$ 6,637,961	\$
Local Development Finance Authority	206,774		
Downtown Development Authority	154,000	769,854	
	<u>375,174</u>	<u>7,407,815</u>	<u>\$</u>
Total Component Units			

MACHINERY AND EQUIPMENT	CONSTRUCTION IN PROGRESS	INFRASTRUCTURE	TOTAL
\$	\$	\$	\$ 1,032,885
103,196			103,196
14,766			14,766
8,255			26,105
			200,079
26,702			26,702
7,897			7,897
66,500			66,500
1,657			1,657
3,340			7,262,068
7,790			358,952
5,000			272,521
<u>245,103</u>			<u>9,373,328</u>
121,721		57,373	1,682,419
3,115,354		57,373	4,676,052
			768,039
<u>6,695</u>			<u>1,381,414</u>
<u>3,243,770</u>		<u>114,746</u>	<u>8,507,924</u>
31,689	15,374	122,420	3,808,663
3,170			3,170
			203,811
<u>157,198</u>			<u>896,008</u>
<u>192,057</u>	<u>15,374</u>	<u>122,420</u>	<u>4,911,652</u>
<u>220,964</u>	<u>315,926</u>	<u>45,581,596</u>	<u>63,603,068</u>
\$ <u><u>3,901,894</u></u>	\$ <u><u>331,300</u></u>	\$ <u><u>45,818,762</u></u>	\$ <u><u>86,395,972</u></u>
\$	\$	\$	\$ 6,652,361
			206,774
			923,854
\$ <u><u></u></u>	\$ <u><u></u></u>	\$ <u><u></u></u>	\$ <u><u>7,782,989</u></u>

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Layton & Richardson, P.C.

Certified Public Accountants

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*

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

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 City of Lapeer, which comprise the statement of financial position as of June 30, 2016, 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 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Lapeer's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 City of Lapeer's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Layton & Richardson, P.C." in a cursive, professional style.

Certified Public Accountants

East Lansing, Michigan
December 16, 2016