ECONOMIC DEVELOPMENT CORPORATION

OF THE CITY OF LAPEER, MICHIGAN

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

Members of the Economic Development
Corporation of the City of Lapeer
Lapeer, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the **Economic Development Corporation 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 Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Economic Development Corporation of the City of Lapeer, Michigan as of June 30, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other 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 Economic Development Corporation 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 Economic Development Corporation of the City of Lapeer, Michigan's internal control over financial reporting and compliance.

Layton & Richardson, P.C

Certified Public Accountants

East Lansing, Michigan
December 16, 2016

Management's Discussion and Analysis

Our discussion and analysis of the Economic Development Corporation of the City of Lapeer's financial performance provides an overview of the Economic Development Corporation's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Economic Development Corporation's financial statements.

FINANCIAL HIGHLIGHTS

- There was no activity for the Economic Development Corporation this fiscal 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 Economic Development Corporation as a whole and present a longer-term view of the Economic Development Corporation's finances. Fund financial statements provide more detailed information about the Economic Development Corporation's funds - not the Economic Development Corporation as a whole. These statements tell how these services were financed in the short term as well as what remains for future spending.

Reporting the Economic Development Corporation as a Whole

One of the most important questions asked about the Economic Development Corporation's finances is, "Is the Economic Development Corporation 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 Economic Development Corporation 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 Economic Development Corporation's *net assets* and changes in them. You can think of the Economic Development Corporation's net assets – the difference between assets and liabilities – as one way to measure the Economic Development Corporation's financial health, or *financial position.* Over time, *increases* or *decreases* in the Economic Development Corporation's net assets are one indicator of whether its *financial health* is improving or deteriorating.

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

- Governmental activities – The Economic Development Corporation's services are reported here. Charges for Services finance most of these activities.

Reporting the Economic Development Corporation's Most Significant Funds

The fund financial statements provide detailed information about the Economic Development Corporation's funds. The Economic Development Corporation's funds utilize the *governmental* accounting approach.

- *Governmental funds* – Most of the Economic Development Corporation'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 Economic Development Corporation'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 Economic Development Corporation's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in reconciliation at the bottom of the fund financial statements.

THE ECONOMIC DEVELOPMENT CORPORATION AS A WHOLE

Table 1 was summarized from the Economic Development Corporation Statement of Net Position and provides a comparison of the current and prior years. The net assets of the Economic Development Corporation decreased from $5,073 to $4,815, a decrease of $258 or 5.1%. In the prior year, the net assets decreased from $5,435 to $5,073, a decrease of $362 or 6.7%.

Table 1
Net Assets
(In Hundreds)

	Governmental Activities 6-30-2016	Governmental Activities 12-31-2015
Current and other assets	$48.1	$50.7
Total assets	48.1	50.7
Other liabilities	0.0	0.0
Total liabilities	0.0	0.0
Net assets:		
Restricted	0.0	0.0
Unrestricted (deficit)	48.1	50.7
Total net assets	$48.1	$50.7

Governmental Activities

As stated previously, the net assets of the Economic Development Corporation's governmental activities decreased by $258 or 5.1%. Unrestricted net assets – the part of net assets that can be used to finance day–to–day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - is recorded as Fund Balance of $4,815.

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

Table 2
Changes in Net Assets
(In Hundreds)

	Governmental Activities 6-30-2016	Governmental Activities 12-31-2015
Revenues:		
Program revenues:		
Charges for Services	$0.0	$0.0
Operating grants and Contributions	0.0	0.0
General revenues:		
Other	0.0	0.0
Total Revenues	0.0	0.0
Expenses:		
General government	$2.6	$3.6
Total Expenses	2.6	3.6
Increase (Decrease) in net assets Before transfers	(2.6)	(3.6)
Transfers	0.0	0.0
Increase (Decrease) in net assets	(2.6)	(3.6)
Net assets, January 1	50.7	54.3
Net assets, December 31/June 30	$48.1	$50.7

Total revenue from all sources totaled $0.

The governmental activities of the Economic Development Corporation had an expense of $258 which was for audit fee. 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 ECONOMIC DEVELOPMENT CORPORATION'S FUNDS

The Economic Development Corporation received no income in the current year compared to $1 of interest income in the prior year and had a total expense of $258 in the current year for audit fee compared to $363 for the same reason in the prior year. The fund balance decreased from $5,073 to $4,815, a decrease of $258 or 5.1% compared to the prior year decrease from $5,435 to $5,073, a decrease of $362, or 6.7%.

Economic Development Corporation Budgetary Highlights

- The Economic Development Corporation budget did not change during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Economic Development Corporation does not have any capital assets.

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

Debt

The Economic Development Corporation does not have any outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Trends in Industrial Growth in the area.

The Economic Development Corporation reviews the industrial growth trends to determine the potential for industrial projects and establishes a budget for charges for services and application processing expenses.

Requests for Information

This financial report is designed to provide a general overview of the Economic Development Corporation'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.

ECONOMIC DEVELOPMENT CORPORATION OF THE
CITY OF LAPEER, MICHIGAN

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2016

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET POSITION
ASSETS			
Cash - checking	$ 31	$	$ 31
Cash - savings	4,784		4,784
	$ 4,815	$	$ 4,815
FUND BALANCE/NET POSITION	$ 4,815	$	$ 4,815
TOTAL LIABILITIES AND FUND BALANCE/NET POSITION	$ 4,815	$	$ 4,815

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT CORPORATION OF THE
CITY OF LAPEER, MICHIGAN

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE, EXPENDITURES

AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2016

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF ACTIVITIES
EXPENDITURES			
General government	$ 258	$	$ 258
CHANGES IN NET POSITION	(258)		(258)
FUND BALANCE/NET POSITION, JULY 1, 2015	5,073		5,073
FUND BALANCE/NET POSITION, JUNE 30, 2016	$ 4,815	$	$ 4,815

See accompanying notes to financial statements.

NOTE 1: REPORTING ENTITY

In accordance with the criteria established by the National Council on Governmental Accounting (NCGA) Statement 3, the Economic Development Corporation of the City of Lapeer is considered a component unit of the City of Lapeer, Michigan for financial accounting and reporting purposes. These criteria include: the extent of oversight responsibility, selection of governing authority, designation of management, the ability of the City to significantly influence operations, and the accountability for fiscal matters including the level of City financing and/or moral and legal responsibility for long-term debt.

The financial statements of the Economic Development Corporation are presented as the financial statements of a fund which is an integral part of the financial reporting oversight unit of the City of Lapeer.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Economic Development Corporation of the City of Lapeer conform to U.S. generally accepted accounting principles as applicable to governmental units. The summary of the more significant accounting policies are presented to assist the reader in interpreting the financial statements and other data in this report.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the Economic Development Corporation of the City of Lapeer. 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 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.

Measurement Focus, Basis of Accounting and Financial Statements

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

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

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

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: **REVENUE BONDS**

The Corporation is organized pursuant to the State of Michigan, Public Act No. 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. According to the terms of the lease contracts, the Corporation agrees to issue revenue bonds, the proceeds from which will be used to finance a project benefitting the commercial enterprise, and the commercial enterprise agrees to make lease payments equal to the bond principal and interest payments. When the bonds are paid in full, the ownership of the project is transferred to the commercial enterprise. The revenue bonds are payable solely from the net revenues derived from the project, and the bond collateral is a mortgage on the project and the lease contract.

Since each bond issued by the Corporation is payable solely from the net revenues derived from the related project through lease payments, and since the bonds are not a general obligation of the Corporation, the bonds and related lease contracts have not been reflected in the financial statements of the Corporation.

As of June 30, 2016, 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 and 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

NOTE 3: **REVENUE BONDS** – Concluded

	DATE OF BOND CLOSING	AMOUNT OF REVENUE BONDS ISSUED
C & P Partnership Project	06/26/85	$ 616,000
Copres Leasing Company	12/30/85	806,000
The Lapeer Associates, 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
JMA Development, Inc.	09/14/00	4,000,000
H&H Tool	12/23/04	2,800,000
H&H Tool	08/31/07	9,870,000

NOTE 4: **CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

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

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

NOTE 4: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** - Concluded

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 Corporation's deposits may not be returned to it. As of June 30, 2016, the carrying amount of the Corporation's deposits was $4,815 and the bank balance was $4,815, of which $0 was covered by federal depository insurance. The remaining balance of $4,815 was uninsured and uncollateralized.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2016, the Corporation did not have any investment that would be subject to rating.

Interest Rate Risk

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

Concentration of Credit Risk

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

NOTE 5: **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.

NOTE 5: **DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS** - Concluded

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

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

The Corporation 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 Corporation 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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ECONOMIC DEVELOPMENT CORPORATION OF THE
CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2016

	BUDGETED AMOUNTS			VARIANCE FAVORABLE
	ORIGINAL	FINAL	ACTUAL	(UNFAVORABLE)
REVENUES				
EDC application fees	$ 2,500	$ 2,500	$	$ (2,500)
Interest	1	1		(1)
TOTAL REVENUES	2,501	2,501		(2,501)
EXPENDITURES				
Meeting fees	1,650	1,650	8	1,642
Audit	250	250	250	
TOTAL EXPENDITURES	1,900	1,900	258	1,642
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	601	601	(258)	(859)
FUND BALANCE, JULY 1	5,073	5,073	5,073	
FUND BALANCE, JUNE 30	$ 5,674	$ 5,674	$ 4,815	$ (859)

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OTHER SUPPLEMENTARY INFORMATION

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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*

Members of the Economic Development
Corporation of the City of Lapeer
Lapeer, Michigan

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Economic Development Corporation 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 Economic Development Corporation of the City of Lapeer, Michigan's basic 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 the Economic Development Corporation of the City of Lapeer, Michigan'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Economic Development Corporation of the City of Lapeer, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Economic Development Corporation of the City of Lapeer, Michigan's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Economic Development Corporation of the City of Lapeer, Michigan'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 tests 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Layton & Richardson, P.C

Certified Public Accountants

East Lansing, Michigan
December 16, 2016