

CITY OF LAPEER, MICHIGAN
COUNTY OF LAPEER
COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015
INDEPENDENT AUDITORS' REPORT

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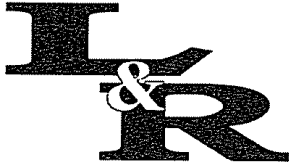
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INDEPENDENT AUDITORS' REPORT

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, 2015, 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, 2015, 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.

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Emphasis of Matter – Change in Accounting Principles

As discussed in Note 8, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* during the year. As a result of this implementation, the format and reporting of the financial statements has changed to reflect the required components of GASB Statement No. 68, as applicable. Our opinions are not modified with respect to this matter.

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 15 and 80 through 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, general long-term debt, capital assets schedule and schedule of federal expenditures and awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining 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 28, 2015, 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 28, 2015

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, 2015. 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 \$735,714 in the current year compared to \$716,833 in the prior year, an increase of \$18,881 or 2.6%. 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 \$735,714, a decrease of \$301,812 or 29.1%.
- The current year City income tax revenue of \$2,895,494 was \$134,754 or 4.9% more than the prior year revenue of \$2,760,740.
- The current year net City property tax revenue of \$2,646,058 was \$83,459 or 3.1% less than the prior year revenue of \$2,729,517.
- The current year General Fund interest on investments revenue of \$10,632 was \$4,066 or 62.0% more than the prior year revenue of \$6,556.
- Among other improvement projects, the City completed the Saginaw Street reconstruction (654,484), the Wastewater Treatment Plant design & expansion (\$7,305,716) and the Clay & Court Street reconstruction (\$1,104,096). The City also continued work on the third phase of the Oregon Street reconstruction and began work on the DeMille Street mill and resurface, the Lincoln Street reconstruction, the M-24 pedestrian tunnel and the M-24 water main replacement.
- There is a \$6,121,804 governmental activities prior period adjustment from implementation of GASB 68, *Accounting and Financial Reporting for Pensions*.
- The City's general obligation bond rating from Moody's Investor Services remained at A2 while Standard & Poor's increased from A to A+ to AA. The City's other debt - principally revenue bonds - remained at BBB-.
- The City issued \$2,375,000 in General Obligation Bonds for the Oregon, Lincoln, DeMille, Whitney, Monroe and Calhoun Street and Saginaw Street bridge projects at 3.5% interest through November 01, 2035. Funds to meet this obligation will be provided by the Major Streets, Local Streets, Wastewater and Water Funds.

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 \$82,423,200 to \$73,835,739, a decrease of \$8,587,461 or 10.4%. In the prior year the net position decreased from \$83,455,459 to \$82,423,200, a decrease of \$1,032,259 or 1.2%. The net position for the governmental activities decreased from \$58,276,059 to \$50,108,738, a decrease of \$8,167,321 or 14.0%. In the prior year the net position decreased from \$58,741,337 to \$58,276,059, a decrease of \$465,278 or 0.8%. The net position for the business-type activities decreased from \$24,147,141 to \$23,727,001, a decrease of \$420,140 or 1.7%. In the prior year the net position decreased from \$24,714,122 to \$24,147,141, a decrease of \$566,981 or 2.3%.

Table 1
Net Position
(In Millions)

| | <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> |
| | <u>Governmental Activities</u> 2014 | <u>Business-type Activities</u> 2014 | <u>Total Primary Government</u> 2014 |
| Current assets | \$15.0 | \$5.5 | \$20.5 |
| Non-current assets | 59.9 | 28.5 | 88.4 |
| Deferred Outflows | <u>0.1</u> | <u>0.0</u> | <u>0.1</u> |
| Total assets | <u>75.0</u> | <u>34.0</u> | <u>109.0</u> |
| Long-term debt outstanding | 8.1 | 7.3 | 15.4 |
| Other liabilities | <u>8.6</u> | <u>2.5</u> | <u>11.1</u> |
| Total liabilities | <u>16.7</u> | <u>9.8</u> | <u>26.5</u> |
| Net assets: | | | |
| Invested in capital assets, Net of debt | 51.1 | 21.2 | 72.3 |
| Restricted | 0.0 | 0.0 | 0.0 |
| Unrestricted (deficit) | <u>7.2</u> | <u>3.0</u> | <u>10.2</u> |
| Total net assets | <u>\$58.3</u> | <u>\$24.2</u> | <u>\$82.5</u> |

Table 2 was summarized from the government-wide Statement of Activities and provides a comparison between the current and prior years. Total revenue from all sources totaled \$19.4 million of which \$12.6 million was from governmental activities and \$6.8 million was from business-type activities. In the prior year, total revenue from all sources totaled \$19.9 million of which \$13.2 million was from governmental activities and \$6.7 million was from business-type activities. The total revenue from all sources decreased \$0.5 million or 2.5%.

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>0.5</u> | <u>(0.5)</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> |

Table 2
Changes in Net Position
(In Millions)

| | <u>Governmental</u> <u>Activities</u> 2014 | <u>Business-Type</u> <u>Activities</u> 2014 | <u>Total</u> <u>Primary</u> <u>Government</u> 2014 |
|--------------------------------------|--|---|---|
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$2.8 | \$6.7 | \$9.5 |
| Operating grants and contributions | 1.3 | 0.0 | 1.3 |
| General revenues: | | | |
| Taxes | 6.1 | 0.0 | 6.1 |
| State shared revenue | 0.7 | 0.0 | 0.7 |
| Other | <u>2.3</u> | <u>0.0</u> | <u>2.3</u> |
| Total Revenues | <u>13.2</u> | <u>6.7</u> | <u>19.9</u> |
| Expenses: | | | |
| General government | \$1.7 | \$0.0 | \$1.7 |
| Public safety | 3.7 | 0.0 | 3.7 |
| Public works | 1.3 | 0.0 | 1.3 |
| Community development and enrichment | 0.9 | 0.0 | 0.9 |
| Highway and streets | 2.5 | 0.0 | 2.5 |
| Culture and recreation | 2.0 | 0.0 | 2.0 |
| Other | 1.6 | 0.0 | 1.6 |
| Interest on long-term Debt | 0.4 | 0.0 | 0.4 |
| Water | 0.0 | 2.7 | 2.7 |
| Wastewater | 0.0 | 4.1 | 4.1 |
| Parking | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Total Expenses | <u>14.1</u> | <u>6.8</u> | <u>20.9</u> |
| Change in net position | | | |
| Before transfers | (0.9) | (0.1) | (1.0) |
| Transfers | <u>0.5</u> | <u>(0.5)</u> | <u>0.0</u> |
| Change in Net Position | (0.4) | (0.6) | (1.0) |
| Net position, July 1 | 58.7 | 24.7 | 83.4 |
| Prior period adjustment | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Net position, June 30 | <u>\$58.3</u> | <u>\$24.1</u> | <u>\$82.4</u> |

Governmental Activities

The net position for the governmental activities decreased from \$58,276,059 to \$50,108,738, a decrease of \$8,167,321 or 14.0%. In the prior year, the net position decreased from \$58,741,337 to \$58,276,059, a decrease of \$465,278 or 0.8%. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - is recorded as unrestricted Net Position of \$(414,623).

The governmental activities revenue of \$12.6 million reflects a decrease of \$0.6 million or 4.5% from the prior year. The governmental activities received \$5.7 million or 44.8 % from taxes. 22.1% of governmental activity was funded from charges for services and 5.8% was funded by state shared revenue. 20.4% of governmental activity was funded from operating grants and contributions. The remaining 6.9% of revenue was from unrestricted investment earnings and other revenue.

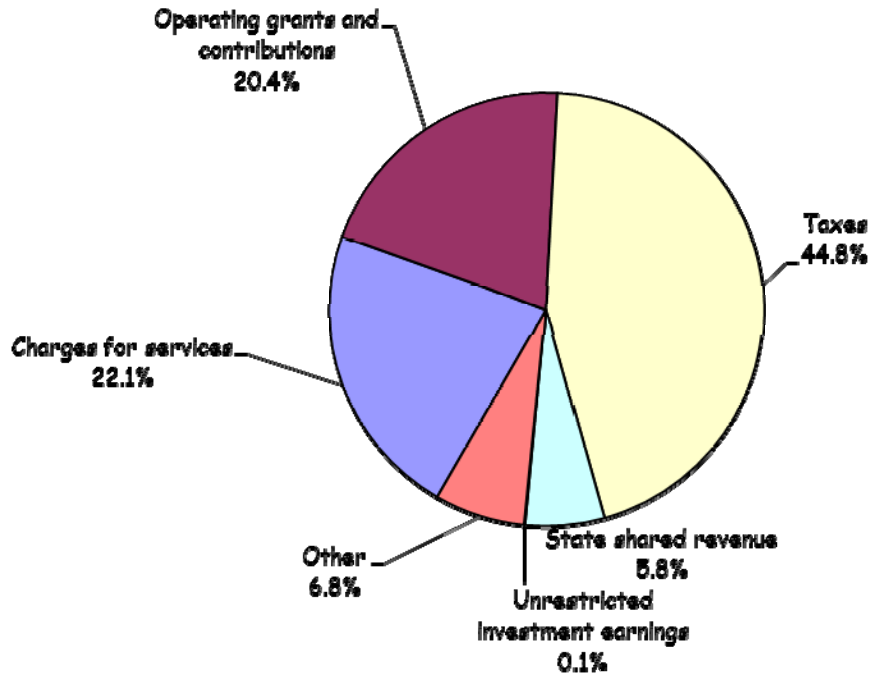
The governmental activities of the city had an expense of \$14.7 million dollars for the past fiscal year. Due to utilizing full accrual on the government-wide statements, the expenditures for capital assets including infrastructure are not recorded as expenses in the current year but are capitalized on the Statement of Net Position and are depreciated over the useful life of the asset. Only the current year depreciation would be included as an expense.

The \$14.7 million for governmental activities was funded from \$5.4 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 public safety at \$3.9 million, general government at \$2.4 million, highways and streets at \$2.5 million, culture and recreation at \$2.0 million, public works at \$1.8 million, community development and enrichment at \$0.8 million, interest on long-term debt at \$0.3 million and other at \$1.0 million. The program revenues received as a percentage of the expense for these activities were 22.1% for public safety, 60.2% for general government, 54.3% for highways and streets, 70.5% for culture and recreation, 0% for public works, 39.2% for community development and enrichment, 0% for interest on long-term debt and 0% for other.

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

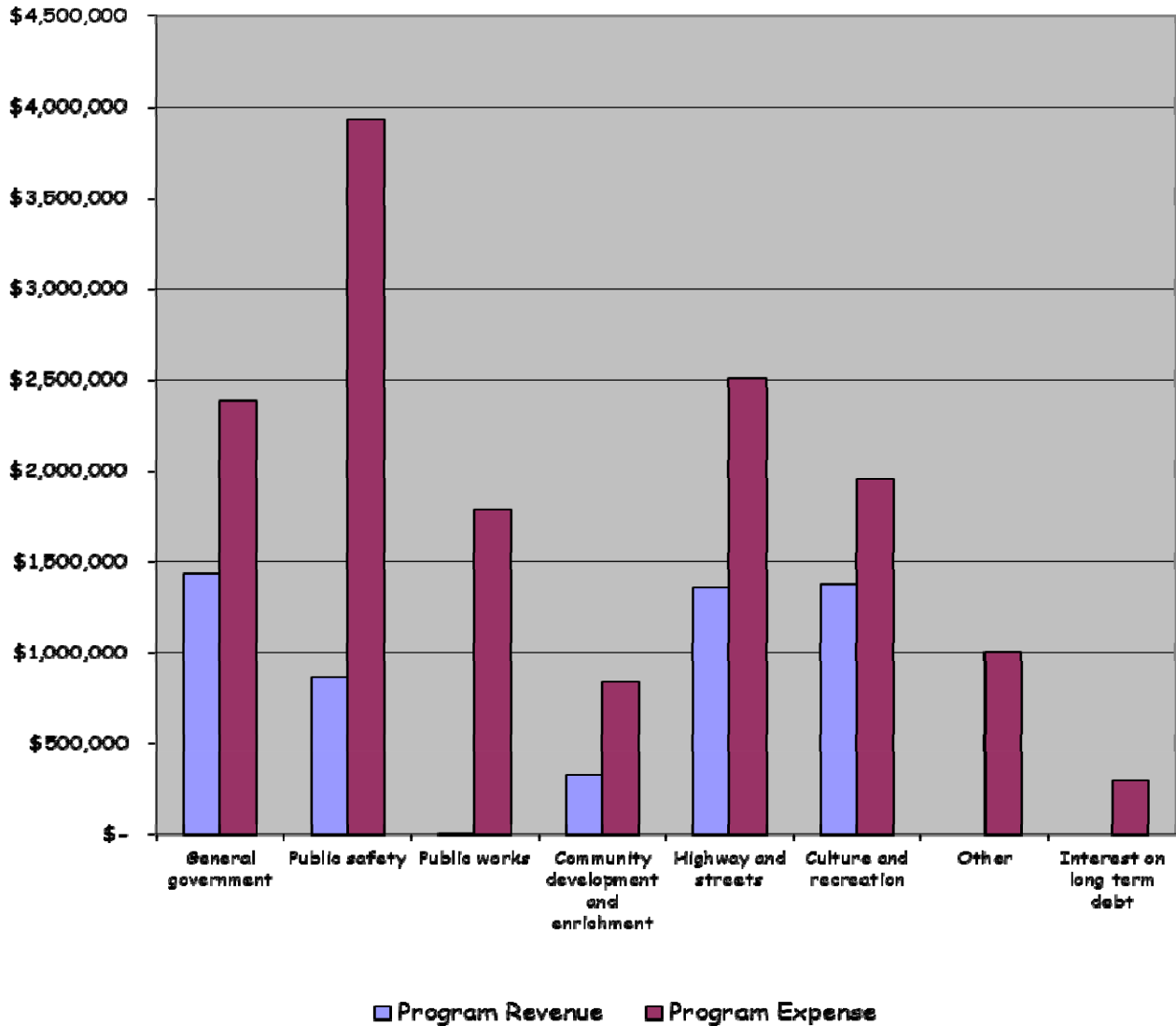
FY 2014-2015

Revenues by Source - Governmental Activities



FY 2014-2015

Expenses and Program Revenues - Governmental Activities



Business-type Activities

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%. In the prior year, the net position of the City's business-type activities decreased from \$24,714,122 to \$24,147,141, a decrease of \$566,981 or 2.3%.

The business-type activities revenue of \$6.8 million was unchanged from the prior year. The business-type activities received \$6.7 million or 97.7% from charges for services and \$0.006 million or 2.3% from operating grants and contributions.

The Water Fund total operating expenses were \$2.9 million compared to \$2.9 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 decreased by \$10,692 from the prior year of \$1,353,243 to \$1,342,551. This represented 47.9% of the fund's operating expenses. The City last increased its rates to customers effective for billings on or after August 1, 2011. The flat monthly charge was \$5.94 and the volume charge was \$5.60.

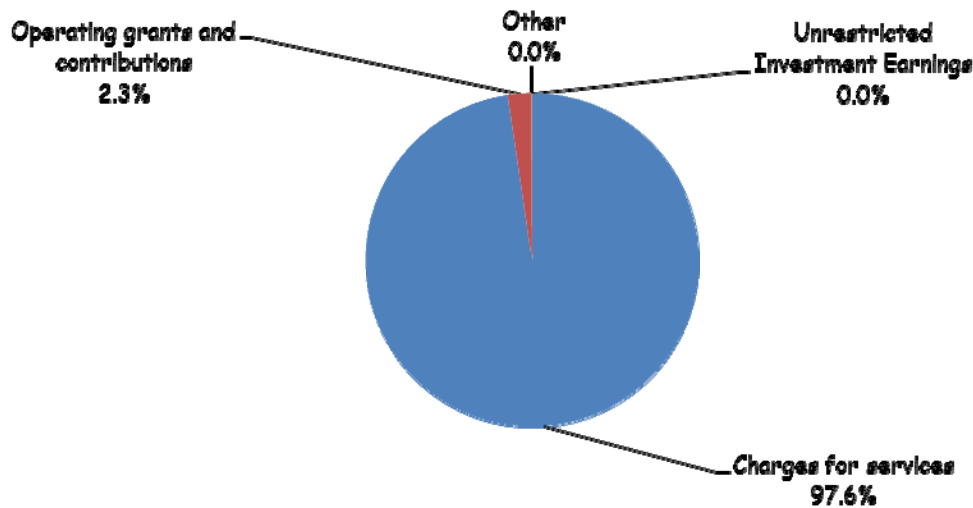
The Wastewater Fund total operating expenses were \$4.3 million compared to \$3.9 million in program revenues. The City last increased its rates to customers effective for billings on or after August 1, 2011. The flat monthly charge was \$10.66 and the volume charge was \$7.62.

The Parking Fund had revenues of \$17,107 and expenses of \$51,002.

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

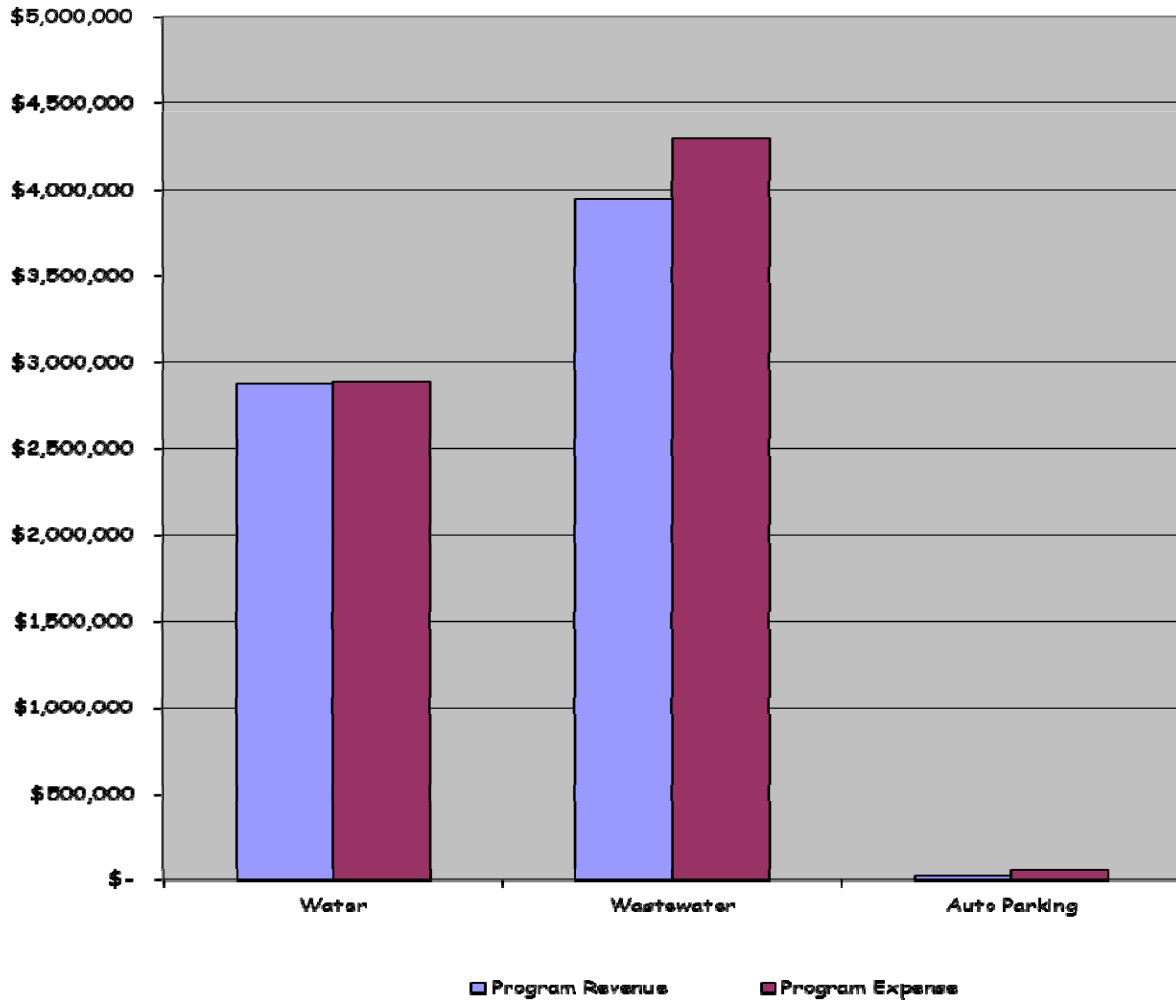
FY 2014-2015

Revenues by Source - Business-type Activities



FY 2014-2015

Expense and Program Revenues - Business-type Activities



THE CITY'S FUNDS

The General Fund revenue was \$8.6 million, a decrease of \$0.3 million from the prior year. The expenditures were \$7.7 million compared to \$8.0 million the prior year. The net transfers from other funds were \$0.7 million compared to \$0.5 million the prior year. The unassigned fund balance increased from \$2,591,378 to \$2,639,447, an increase of \$48,069 or 1.9%. In the prior year, the unassigned fund balance increased from \$2,019,307 to \$2,591,378, an increase of \$572,071 or 28.3%.

The Major Street Fund receives revenues from grants, donations, and transfers from bond construction funds which vary greatly from year to year. In the current year the total revenues were \$0.8 million, the expenditures were \$0.8 million and the net transfers in were \$0.7 million. The assigned fund balance increased from \$103,790 to \$889,010, an increase of \$795,220 or 766.2%. In the prior year, the assigned fund balance increased from \$(231,912) to \$103,790, an increase of \$335,702 or 144.8%.

The Local Street Fund current year revenues were \$0.7 million, the expenditures were \$0.8 million and the net transfers in were \$0.4 million. The assigned fund balance increased from \$269,295 to \$579,149, an increase of \$309,854 or 115.1%. In the prior year, the assigned fund balance increased from \$220,311 to \$269,295, an increase of \$48,984 or 22.2%.

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 increased from \$224,373 to \$354,558, an increase of \$130,185 or 58.0%. In the prior year, the assigned fund balance increased from \$151,924 to \$224,373, an increase of \$72,449 or 47.7%.

The Land Acquisition Fund current year revenues were \$0.2 million, the expenditures were \$1.2 million and the net transfers in were \$0.8 million. The primary transaction undertaken was purchase of the Rayco properties (\$1,171,597). The Land Acquisition Fund is classified as a governmental activity fund, and as such, the value of assets such as land is not listed on the balance sheet per Generally Accepted Accounting Principles. Therefore, Land Acquisition ended the fiscal year with negative Fund Balance of \$(934,350), a decrease of \$113,786 from the prior year balance of \$(820,564).

General Fund Budgetary Highlights

The difference between the General Fund original and amended budgets were expenditure increases totaling \$138,648 or 1.5% of the total originally budgeted and detailed as follows:

- \$2,852 increase to the Fire Department Budget for Fire Prevention activities funded from donations received in prior years.
- \$135,796 increase to the Transfers Out Budget to accelerate the loan pay-off of the Aerial Fire Truck installment loan.

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, 2015 was \$87,218,700 (net of accumulated depreciation). This is a decrease of \$503,032 over the prior year amount of \$87,721,732. This investment in capital assets includes land, buildings, infrastructure systems and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City of Lapeer's investment in capital assets for the current fiscal year was 0.5% (a 0.0% decrease for governmental activities of \$48,201 over the prior year amount of \$59,194,232 and a 1.5% decrease for business-type activities over the prior year amount of \$28,527,500).

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

- Projects continued/completed included Saginaw Street reconstruction (\$654,484), Wastewater Treatment Plant improvements (\$7,305,716), Water Tower Trailer Park electrical upgrade (\$3,233), Clay and Court Street reconstruction (\$1,104,096), Cramton Park bridge replacement (\$23,912) and Cramton Park tennis court upgrades and sign replacement (\$9,612). Projects started included Oregon Street reconstruction phase III, M-24 water main replacement, DeMille and Whitney Street reconstruction, Lincoln Street reconstruction and the M-24 pedestrian tunnel.
- Equipment purchases included two 2015 Ford Police Interceptors (\$26,012 each), 2015 Freightliner tandem axle dump truck (\$168,717), 2015 Ford Explorer (\$30,973), $\frac{3}{4}$ ton 4x4 Pick-up (\$31,346), John Deere Utility Vehicle (\$4,730), 2014 SCAG Turf Tiger Zero Turn Mower (\$8,533), Dell server for BS&A tax software upgrade (\$10,646), two Thermal Imaging Cameras (\$6,500 each), Ticketing software and equipment (\$8,014), Brookwood substation stand-by generator (\$4,000) and Traffic signal portable generators (\$6,000).
- Equipment dispositions included (sale price in parenthesis) 1997 GMC Sierra 2500 HD (\$2,651), 1998 GMC Sierra 2500 HD (\$3,500), 2005 Kubota lawn mower (\$6,000), 2008 Chevrolet Impala (\$2,300), 2009 Chevrolet Impala (\$3,850), 2010 Chevrolet Impala (\$4,175), Exmark Zero Turn mower (\$1,650), 2000 Exmark Zero Turn mower (\$575), and 1998 Hot Patch machine (\$1,500).

Debt

At year-end, the City of Lapeer's total bonded debt outstanding was at \$15.6 million versus \$15.4 million last year - an increase of \$168,526 or 1.1% - as shown in Table 3.

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

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|----------------------------|---------------|-----------------------------|--------------|---------------|---------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| General obligation bonds (backed by the City) | \$ 8.1 | \$7.4 | \$0.0 | \$0.0 | \$ 8.1 | \$7.4 |
| Special assessment bonds (with city commitment) | \$ 0.5 | \$ 0.7 | \$0.0 | \$0.0 | \$ 0.5 | \$0.7 |
| Revenue bonds and notes (backed by specific tax and fee revenues) | <u>\$ 0.0</u> | <u>\$ 0.0</u> | <u>\$7.0</u> | <u>\$7.3</u> | <u>\$ 7.0</u> | <u>\$ 7.3</u> |
| Totals | <u>\$ 8.6</u> | <u>\$8.1</u> | <u>\$7.0</u> | <u>\$7.3</u> | <u>\$15.6</u> | <u>\$15.4</u> |

In FY 2014-2015, the City issued \$2,375,000 in General Obligation Bonds for the Oregon, Lincoln, DeMille, Whitney, Monroe and Calhoun Street and Saginaw Street bridge projects at 3.5% interest through November 01, 2035. Funds to meet this obligation will be provided by the Major Streets, Local Streets, Wastewater and Water Funds.

None of the component units had any outstanding debt as of the year ended 06/30/2015.

The City's general obligation bond rating from Moody's Investor Services remained stable at A2 while Standard & Poor's raised the City's rating to AA. The City's other debt - principally revenue bonds - continued to carry a BBB- rating. 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 this \$26.3 million state-imposed limit.

Other obligations include accrued vacation and sick leave of \$526,821. 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 unemployment rate for the County of Lapeer was at 6.6% for June 2015, a decrease of 25.8% from the prior year-end unemployment rate of 8.9%.
- Inflationary trends and economic development in the region compare favorably to national indices.

These factors were considered in preparing the City of Lapeer's budget for Fiscal Year 2014-2015.

During FY 2014-2015, the unassigned fund balance for the General Fund increased from \$2,591,378 to \$2,639,447, an increase of \$48,069 or 1.2%. In the prior year, the unassigned fund balance increased from \$2,019,307 to \$2,591,378, an increase of \$572,071 or 28.3%. The FY 2014-2015 unassigned fund balance of \$2,639,447 is \$864,369 higher than the \$1,775,078 projected during the fiscal year 2014-2015 budget review. The City of Lapeer anticipates using \$936,786 of fund balance in FY 2015-2016.

The City of Lapeer will return contributed capital of \$250,000 to the General Fund from the Wastewater Fund as part of the FY 2015-2016 budget. Additionally, the City maintained the millage rate of 9.80 which is the same as the prior year millage rate. 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, 2015

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | COMPONENT UNITS |
|--|----------------------------|-----------------------------|-----------------------|---------------------|
| ASSETS | | | | |
| Cash | \$ 8,287,811 | \$ 729,717 | \$ 9,017,528 | \$ 1,277,307 |
| Investments | 1,826,605 | 223,395 | 2,050,000 | |
| Receivables | | | | |
| Notes | | | | 189,795 |
| Land contract | 232,958 | | 232,958 | |
| Taxes | 94,420 | | 94,420 | |
| Accounts | 2,612,491 | 687,356 | 3,299,847 | |
| Special assessments | 3,846,003 | | 3,846,003 | |
| Deposits | | 900 | 900 | |
| Due from | | | | |
| Other funds | | 3,423,822 | 3,423,822 | |
| State | 234,258 | | 234,258 | |
| Other governmental units | 33,076 | | 33,076 | 77,047 |
| Inventory | 95,102 | 97,002 | 192,104 | |
| Noncurrent assets | | | | |
| Notes receivable | | | | |
| Land contract | 481,300 | | 481,300 | |
| Fixed assets not being depreciated | 25,808,518 | 498,219 | 26,306,737 | 490,954 |
| Fixed assets (net of accumulated depreciation) | <u>33,337,513</u> | <u>27,574,450</u> | <u>60,911,963</u> | <u>3,337,116</u> |
| TOTAL ASSETS | <u>76,890,055</u> | <u>33,234,861</u> | <u>110,124,916</u> | <u>5,372,219</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows - pension | 661,764 | | 661,764 | |
| Prepaid expenses | <u>116,150</u> | <u>30,686</u> | <u>146,836</u> | |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>777,914</u> | <u>30,686</u> | <u>808,600</u> | |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 77,667,969</u> | <u>\$ 33,265,547</u> | <u>\$ 110,933,516</u> | <u>\$ 5,372,219</u> |

See accompanying notes to financial statements.

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | COMPONENT UNITS |
|---|----------------------------|-----------------------------|-----------------------|---------------------|
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Payables | | | | |
| Accounts | \$ 568,809 | \$ 585,987 | \$ 1,154,796 | \$ |
| Payroll and payroll taxes | 246,455 | 49,052 | 295,507 | |
| Due to | | | | |
| Other units | 125,083 | | 125,083 | |
| Other funds | 3,293,395 | | 3,293,395 | |
| Accrued interest | 22,798 | | 22,798 | |
| Deposits payable | 22,676 | 1,000 | 23,676 | 4,132 |
| Bonds and notes payable | 1,665,910 | 375,000 | 2,040,910 | |
| Accrued sick and vacation pay | 79,023 | | 79,023 | |
| Noncurrent liabilities | | | | |
| Bonds and notes payable | 6,956,760 | 6,575,961 | 13,532,721 | |
| Net OPEB obligation | 7,110,839 | | 7,110,839 | |
| Unfunded retiree health insurance | 7,019,685 | 1,951,546 | 8,971,231 | |
| Accrued sick and vacation pay | 447,798 | | 447,798 | |
| TOTAL LIABILITIES | <u>27,559,231</u> | <u>9,538,546</u> | <u>37,097,777</u> | <u>4,132</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 50,523,361 | 21,121,708 | 71,645,069 | 3,828,070 |
| Unrestricted | (414,623) | 2,605,293 | 2,190,670 | 1,540,017 |
| TOTAL NET POSITION | <u>50,108,738</u> | <u>23,727,001</u> | <u>73,835,739</u> | <u>5,368,087</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 77,667,969</u> | <u>\$ 33,265,547</u> | <u>\$ 110,933,516</u> | <u>\$ 5,372,219</u> |

CITY OF LAPEER, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

| | | PROGRAM REVENUES | |
|--|----------------------|----------------------|------------------------------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS |
| FUNCTIONS/PROGRAMS | | | |
| Primary Government | | | |
| Governmental Activities | | | |
| General government | \$ 2,384,549 | \$ 857,503 | \$ 578,734 |
| Public safety | 3,931,080 | 791,299 | 75,918 |
| Public works | 1,785,367 | 1,000 | |
| Community development and enrichment | 840,945 | 43,047 | 286,826 |
| Highways and streets | 2,505,976 | | 1,361,159 |
| Culture and recreation | 1,952,825 | 1,104,244 | 273,365 |
| Other | 1,006,374 | | |
| Interest on long-term debt | 297,591 | | |
| | <u>14,704,707</u> | <u>2,797,093</u> | <u>2,576,002</u> |
| Business-Type Activities | | | |
| Water | 2,893,210 | 2,836,852 | 42,479 |
| Wastewater | 4,301,626 | 3,842,706 | 100,217 |
| Auto parking | 51,002 | 1,856 | 15,251 |
| | <u>7,245,838</u> | <u>6,681,414</u> | <u>157,947</u> |
| Total Business-Type Activities | <u>7,245,838</u> | <u>6,681,414</u> | <u>157,947</u> |
| Total Primary Government | <u>\$ 21,950,545</u> | <u>\$ 9,478,507</u> | <u>\$ 2,733,949</u> |
| Component Units | | | |
| Tax Increment Finance Authority | \$ 1,667,357 | \$ | \$ |
| Brownfield Redevelopment | 1,979 | | |
| Downtown Development Authority | 221,085 | | 116,000 |
| Local Development Finance Authority | 304,552 | | |
| Economic Development Corporation | 363 | | |
| | <u>2,195,336</u> | <u>\$</u> | <u>\$ 116,000</u> |
| | <u>\$ 2,195,336</u> | <u>\$</u> | <u>\$ 116,000</u> |
| General Revenues | | | |
| Property taxes levied for general purposes | | | |
| Miscellaneous | | | |
| State revenue sharing | | | |
| Gain on sale of fixed assets | | | |
| Unrestricted investment earnings | | | |
| Transfers | | | |
| Total General Revenues and Transfers | | | |
| Change in Net Position | | | |
| 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 | |
| \$ | \$ (948,312) | \$ | \$ (948,312) | \$ |
| | (3,063,863) | | (3,063,863) | |
| | (1,784,367) | | (1,784,367) | |
| | (511,072) | | (511,072) | |
| | (1,144,817) | | (1,144,817) | |
| | (575,216) | | (575,216) | |
| | (1,006,374) | | (1,006,374) | |
| | (297,591) | | (297,591) | |
| | <u>(9,331,612)</u> | | <u>(9,331,612)</u> | |
| | | (13,879) | (13,879) | |
| | | (358,703) | (358,703) | |
| | | (33,895) | (33,895) | |
| | | <u>(406,477)</u> | <u>(406,477)</u> | |
| \$ | <u>(9,331,612)</u> | <u>(406,477)</u> | <u>(9,738,089)</u> | |
| \$ | | | | (1,667,357) |
| | | | | (1,979) |
| | | | | (105,085) |
| | | | | (304,552) |
| | | | | <u>(363)</u> |
| \$ | | | | <u>(2,079,336)</u> |
| | 5,661,176 | | 5,661,176 | 1,499,973 |
| | 750,517 | 4,425 | 754,942 | 231,079 |
| | 735,714 | | 735,714 | |
| | 10,268 | | 10,268 | |
| | 75,863 | 2,895 | 78,758 | 3,477 |
| | 27,298 | (27,298) | | |
| | <u>7,260,836</u> | <u>(19,978)</u> | <u>7,240,858</u> | <u>1,734,529</u> |
| | (2,070,776) | (426,455) | (2,497,231) | (344,807) |
| | (6,096,545) | 6,315 | (6,090,230) | |
| | <u>58,276,059</u> | <u>24,147,141</u> | <u>82,423,200</u> | <u>5,712,894</u> |
| \$ | <u>50,108,738</u> | <u>23,727,001</u> | <u>73,835,739</u> | <u>5,368,087</u> |

CITY OF LAPEER, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2015

| | GENERAL | PARKS AND RECREATION | 2009 GENERAL OBLIGATION LIMITED TAX BOND |
|--|-------------------------|-------------------------|--|
| ASSETS | | | |
| Cash | \$ 1,761,957 | \$ 429,877 | \$ 3,233,801 |
| Investments | 1,103,776 | | |
| Receivables | | | |
| Taxes | 94,420 | | |
| Accounts | 188,260 | 18,198 | |
| Special assessments | | | 3,585,436 |
| Due from | | | |
| Other funds | | | 116,857 |
| State | 114,847 | | |
| Other governmental units | 6,770 | | |
| Inventory | <u>56,088</u> | | |
| TOTAL ASSETS | <u>3,326,118</u> | <u>448,075</u> | <u>6,936,094</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Prepaid expenses | <u>90,219</u> | <u>12,916</u> | |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 3,416,337</u> | <u>\$ 460,991</u> | <u>\$ 6,936,094</u> |

See accompanying notes to financial statements.

| LAND ACQUISITION | 2015 GENERAL OBLIGATION CONSTRUCTION | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|-----------------------|---|--------------------------------|--|
| \$ 744,486 469,179 | \$ 47,105 | \$ 1,273,448 | \$ 7,490,674 1,572,955 |
| | 2,327,500 | 71,149 260,567 | 94,420 2,605,107 3,846,003 |
| | | 998,619 119,411 26,306 | 1,115,476 234,258 33,076 56,088 |
| 1,213,665 | 2,374,605 | 2,749,500 | 17,048,057 |
| | | 8,079 | 111,214 |
| \$ 1,213,665 | \$ 2,374,605 | \$ 2,757,579 | \$ 17,159,271 |

CITY OF LAPEER, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS - Concluded
JUNE 30, 2015

| | GENERAL | PARKS AND RECREATION | 2009 GENERAL OBLIGATION LIMITED TAX BOND |
|---|---------------------|-------------------------|--|
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Payables | | | |
| Accounts | \$ 108,590 | \$ 61,544 | \$ |
| Payroll and payroll taxes | 183,974 | 44,889 | |
| Due to | | | |
| Other units | 125,083 | | |
| Other funds | 2,000 | | |
| Deposits payable | 22,676 | | |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LIABILITIES | 442,323 | 106,433 | |
| | <hr/> | <hr/> | <hr/> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Special assessment deferred revenue | | | 3,585,436 |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCE | | | |
| Nonspendable for receivables | 188,260 | | |
| Committed for cemetery perpetual care | | | |
| Nonspendable for prepaid expenses | 90,219 | | |
| Nonspendable for inventory | 56,088 | | |
| Restricted for debt service | | | 3,350,658 |
| Assigned | | | |
| Special revenue funds | | 354,558 | |
| Capital projects funds | | | |
| Permanent fund | | | |
| Unassigned, reported in | | | |
| Capital projects funds | | | |
| General fund | 2,639,447 | | |
| | <hr/> | <hr/> | <hr/> |
| TOTAL FUND BALANCE | 2,974,014 | 354,558 | 3,350,658 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | \$ 3,416,337 | \$ 460,991 | \$ 6,936,094 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

See accompanying notes to financial statements.

| LAND ACQUISITION | 2015 GENERAL OBLIGATION CONSTRUCTION | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---------------------|---|--------------------------------|--------------------------------|
| \$ | \$ 84,749 | \$ 215,590 | \$ 470,473 |
| | | 10,395 | 239,258 |
| | | | 125,083 |
| 2,148,015 | 2,258,856 | | 4,408,871 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| 2,148,015 | 2,343,605 | 225,985 | 5,266,361 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| | | 260,567 | 3,846,003 |
| | | | 188,260 |
| | | 8,317 | 8,317 |
| | | | 90,219 |
| | | | 56,088 |
| | | 454,734 | 3,805,392 |
| | | 1,712,502 | 2,067,060 |
| | 31,000 | 95,133 | 126,133 |
| | | 341 | 341 |
| (934,350) | | | (934,350) |
| <hr/> | <hr/> | <hr/> | <hr/> |
| (934,350) | 31,000 | 2,271,027 | 2,639,447 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 1,213,665 | \$ 2,374,605 | \$ 2,757,579 | \$ 17,159,271 |
| <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

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CITY OF LAPEER, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE

STATEMENT OF NET POSITION

JUNE 30, 2015

| | | |
|--|-----------|-------------------|
| Total fund balances - governmental funds | \$ | 8,046,907 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | | |
| <p>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 \$84,469,021 and the accumulated depreciation is \$26,076,564.</p> | | |
| Internal fixed assets | \$ | 58,392,457 |
| | | 753,574 |
| | | 59,146,031 |
| <p>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.</p> | | |
| | | 996,588 |
| <p>Net pension liability is not due and payable in the current period and is not reported in the funds</p> | | |
| | | (7,110,839) |
| <p>Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds</p> | | |
| | | 661,764 |
| <p>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.</p> | | |
| | | (7,019,685) |
| <p>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.</p> | | |
| | | 714,258 |
| <p>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.</p> | | |
| <p>Long-term liabilities at year-end consist of:</p> | | |
| Accrued interest | \$ | 22,798 |
| Contracts payable | | 8,622,670 |
| Compensated absences | | 526,821 |
| | | (9,172,289) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| | | 3,846,003 |
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | \$ | 50,108,738 |

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, 2015

| | GENERAL | PARKS AND RECREATION | 2009 GENERAL OBLIGATION LIMITED TAX BOND |
|---|--------------|-------------------------|--|
| REVENUES | | | |
| Taxes and special assessments | \$ 5,622,966 | \$ | \$ 1,193,260 |
| Licenses and permits | 21,327 | | |
| Intergovernmental | 941,442 | | |
| Charges for services | 1,254,836 | 1,104,244 | |
| Fines and forfeits | 43,387 | | |
| Interest and rentals | 63,759 | 52,511 | 4,983 |
| Contribution from component units | 578,734 | 273,365 | |
| Other revenues | 83,507 | 17,727 | |
| | <hr/> | <hr/> | <hr/> |
| TOTAL REVENUES | 8,609,958 | 1,447,847 | 1,198,243 |
| EXPENDITURES | | | |
| General government | 1,687,908 | | |
| Public safety | 3,590,962 | | |
| Public works | 1,096,811 | | |
| Culture and recreation | | 1,807,662 | |
| Health and welfare | | | |
| Community development and enrichment | 326,342 | | |
| Debt service | | | |
| Principal retirement | | | 670,000 |
| Interest and fiscal charges | | | 113,635 |
| Other | 1,023,183 | | |
| Highways and streets | | | |
| Capital outlay | | | |
| | <hr/> | <hr/> | <hr/> |
| TOTAL EXPENDITURES | 7,725,206 | 1,807,662 | 783,635 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | |
| | <hr/> | <hr/> | <hr/> |
| | 884,752 | (359,815) | 414,608 |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds of bond issues and loans | | | |
| Operating transfers in | 584,581 | 500,000 | 137,820 |
| Operating transfers out | (1,303,607) | (10,000) | (414,825) |
| | <hr/> | <hr/> | <hr/> |
| TOTAL OTHER FINANCING SOURCES (USES) | (719,026) | 490,000 | (277,005) |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | | | |
| | <hr/> | <hr/> | <hr/> |
| | 165,726 | 130,185 | 137,603 |
| FUND BALANCE, JULY 1 | <hr/> | <hr/> | <hr/> |
| | 2,808,288 | 224,373 | 3,213,055 |
| FUND BALANCE, JUNE 30 | \$ <hr/> | \$ <hr/> | \$ <hr/> |
| | 2,974,014 | 354,558 | 3,350,658 |

| LAND ACQUISITION | 2015 GENERAL OBLIGATION CONSTRUCTION | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---------------------|---|--------------------------------|--------------------------------|
| \$ | \$ | \$ 120,030 | \$ 6,936,256 |
| | | | 21,327 |
| | | 1,232,213 | 2,173,655 |
| | | 320,832 | 2,679,912 |
| | | | 43,387 |
| 3,054 | | 1,927 | 126,234 |
| | | 274,504 | 1,126,603 |
| <u>236,958</u> | <u> </u> | <u>423,123</u> | <u>761,315</u> |
| <u>240,012</u> | <u> </u> | <u>2,372,629</u> | <u>13,868,689</u> |
| | | | 1,687,908 |
| | | 6,032 | 3,596,994 |
| | | | 1,096,811 |
| | | | 1,807,662 |
| | | 145,920 | 145,920 |
| | | 346,187 | 672,529 |
| | | 1,171,475 | 1,841,475 |
| | | 192,455 | 306,090 |
| 300 | 85,144 | 10,000 | 1,118,627 |
| | | 1,541,387 | 1,541,387 |
| <u>1,171,597</u> | <u> </u> | <u>72,666</u> | <u>1,244,263</u> |
| <u>1,171,897</u> | <u>85,144</u> | <u>3,486,122</u> | <u>15,059,666</u> |
| <u>(931,885)</u> | <u>(85,144)</u> | <u>(1,113,493)</u> | <u>(1,190,977)</u> |
| | 2,375,000 | | 2,375,000 |
| 882,145 | | 2,484,468 | 4,589,014 |
| <u>(64,046)</u> | <u>(2,258,856)</u> | <u>(335,382)</u> | <u>(4,386,716)</u> |
| <u>818,099</u> | <u>116,144</u> | <u>2,149,086</u> | <u>2,577,298</u> |
| | | | |
| (113,786) | 31,000 | 1,035,593 | 1,386,321 |
| <u>(820,564)</u> | <u> </u> | <u>1,235,434</u> | <u>6,660,586</u> |
| <u>\$ (934,350)</u> | <u>\$ 31,000</u> | <u>\$ 2,271,027</u> | <u>\$ 8,046,907</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, 2015

| | | |
|---|-----------|--------------------|
| Net changes in fund balances - total governmental funds | \$ | 1,386,321 |
| <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 | | 2,263,323 |
| Less: current year depreciation | | (2,501,285) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| | | (1,275,036) |
| <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> | | |
| Bond and loan proceeds | | (2,375,000) |
| Unfunded retiree health insurance | | (1,174,655) |
| Accrued interest | | 8,454 |
| Principal payments | | 1,841,475 |
| <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 | | (14,644) |
| <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> | | |
| | | (327,271) |
| <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> | | |
| | | 97,542 |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | (2,070,776) |

See accompanying notes to financial statements.

CITY OF LAPEER, MICHIGAN

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR JUNE 30, 2014

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | |
|--|--|--------------------------------------|
| | AUTO PARKING | WASTE WATER TREATMENT PLANT |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 96,389 | \$ 354,480 |
| Investments | | 223,395 |
| Accounts receivable | | 418,815 |
| Deposits | | 900 |
| Inventory | | |
| Due from other funds | | 1,446,856 |
| Due from state | | |
| Due from other units | | |
| | <u>96,389</u> | <u>2,444,446</u> |
| TOTAL CURRENT ASSETS | | |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Construction in progress | | 52,720 |
| Land and improvements | 1,298,101 | 436,664 |
| Buildings and structures | | 19,464,055 |
| Infrastructure | | 10,673,082 |
| Vehicles and equipment | | 1,371,887 |
| | <u>1,298,101</u> | <u>31,998,408</u> |
| Less: accumulated depreciation | 544,294 | 11,994,273 |
| | <u>753,807</u> | <u>20,004,135</u> |
| NET PROPERTY, PLANT AND EQUIPMENT | | |
| TOTAL ASSETS | <u>850,196</u> | <u>22,448,581</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Prepaid expenses | | 20,894 |
| | <u>850,196</u> | <u>22,469,475</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 850,196</u> | <u>\$ 22,469,475</u> |

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

GOVERNMENTAL
ACTIVITIES

| WATER SUPPLY | TOTAL | | INTERNAL SERVICE FUNDS | |
|---------------------|----------------------|----------------------|---------------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 |
| \$ 278,848 | \$ 729,717 | \$ 2,165,952 | \$ 797,137 | \$ 1,072,629 |
| | 223,395 | 1,091,336 | 253,650 | |
| 268,541 | 687,356 | 727,207 | 7,384 | |
| | 900 | 900 | | |
| 97,002 | 97,002 | 98,657 | 39,014 | 38,700 |
| 1,976,966 | 3,423,822 | 1,305,870 | | |
| | | 62,661 | | |
| <u>2,621,357</u> | <u>5,162,192</u> | <u>5,452,583</u> | <u>1,097,185</u> | <u>1,111,329</u> |
| 445,499 | 498,219 | 484,816 | | |
| 69,850 | 1,804,615 | 1,804,615 | 22,328 | 22,328 |
| 228,512 | 19,692,567 | 19,689,066 | | |
| 11,263,359 | 21,936,441 | 21,377,586 | | |
| 281,405 | 1,653,292 | 1,653,292 | 3,068,426 | 2,829,947 |
| <u>12,288,625</u> | <u>45,585,134</u> | <u>45,009,375</u> | <u>3,090,754</u> | <u>2,852,275</u> |
| <u>4,973,898</u> | <u>17,512,465</u> | <u>16,481,874</u> | <u>2,337,180</u> | <u>2,263,204</u> |
| <u>7,314,727</u> | <u>28,072,669</u> | <u>28,527,501</u> | <u>753,574</u> | <u>589,071</u> |
| 9,936,084 | 33,234,861 | 33,980,084 | 1,850,759 | 1,700,400 |
| <u>9,792</u> | <u>30,686</u> | <u>32,308</u> | <u>4,936</u> | <u>5,125</u> |
| <u>\$ 9,945,876</u> | <u>\$ 33,265,547</u> | <u>\$ 34,012,392</u> | <u>\$ 1,855,695</u> | <u>\$ 1,705,525</u> |

CITY OF LAPEER, MICHIGAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - Concluded
JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR JUNE 30, 2014

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | |
|--|--|--------------------------------------|
| | AUTO PARKING | WASTE WATER TREATMENT PLANT |
| LIABILITIES, NET POSITION AND CONTRIBUTED CAPITAL | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 45 | \$ 152,222 |
| Accrued payroll and related items | 45 | 33,992 |
| Performance bonds payable | | |
| Bonds payable | | 375,000 |
| | 45 | 375,000 |
| TOTAL CURRENT LIABILITIES | 45 | 561,214 |
| LONG-TERM LIABILITIES | | |
| Unfunded retiree health insurance | 162,025 | 1,158,072 |
| Bonds payable | | 6,575,961 |
| | 162,025 | 6,575,961 |
| TOTAL LONG-TERM LIABILITIES | 162,025 | 7,734,033 |
| TOTAL LIABILITIES | 162,070 | 8,295,247 |
| NET POSITION AND CONTRIBUTED CAPITAL | | |
| CONTRIBUTED CAPITAL | | |
| Municipality | 330,000 | 250,000 |
| Federal | | 796,305 |
| | 330,000 | 796,305 |
| TOTAL CONTRIBUTED CAPITAL | 330,000 | 1,046,305 |
| NET POSITION | | |
| Invested in capital assets, net of related debt | 753,807 | 13,053,174 |
| Restricted for | | |
| Prepaid expenses | | 20,894 |
| Inventory | | |
| Unrestricted | (395,681) | 53,855 |
| | 358,126 | 53,855 |
| TOTAL NET POSITION | 358,126 | 13,127,923 |
| TOTAL NET POSITION AND CONTRIBUTED CAPITAL | 688,126 | 14,174,228 |
| TOTAL LIABILITIES, NET POSITION AND CONTRIBUTED CAPITAL | \$ 850,196 | \$ 22,469,475 |

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

GOVERNMENTAL
ACTIVITIES

| WATER SUPPLY | TOTAL | | INTERNAL SERVICE FUNDS | |
|---------------------|----------------------|----------------------|---------------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 |
| \$ 433,765 | \$ 585,987 | \$ 736,941 | \$ 98,336 | \$ 46,421 |
| 15,015 | 49,052 | 47,096 | 7,197 | 6,484 |
| 1,000 | 1,000 | 2,500 | | |
| <u>449,780</u> | <u>375,000</u> | <u>365,000</u> | | |
| | 1,011,039 | 1,151,537 | 105,533 | 52,905 |
| 631,449 | 1,951,546 | 1,762,753 | | |
| <u>631,449</u> | <u>6,575,961</u> | <u>6,950,961</u> | | |
| | 8,527,507 | 8,713,714 | | |
| <u>1,081,229</u> | <u>9,538,546</u> | <u>9,865,251</u> | <u>105,533</u> | <u>52,905</u> |
| | 580,000 | 830,000 | | |
| | <u>796,305</u> | <u>1,042,611</u> | | |
| | 1,376,305 | 1,872,611 | | |
| 7,314,727 | 21,121,708 | 21,211,540 | 753,574 | 589,071 |
| 9,792 | 30,686 | 32,308 | 4,936 | |
| 97,002 | 97,002 | 98,657 | 39,014 | 35,880 |
| <u>1,443,126</u> | <u>1,101,300</u> | <u>932,025</u> | <u>952,638</u> | <u>1,027,669</u> |
| <u>8,864,647</u> | <u>22,350,696</u> | <u>22,274,530</u> | <u>1,750,162</u> | <u>1,652,620</u> |
| <u>8,864,647</u> | <u>23,727,001</u> | <u>24,147,141</u> | <u>1,750,162</u> | <u>1,652,620</u> |
| <u>\$ 9,945,876</u> | <u>\$ 33,265,547</u> | <u>\$ 34,012,392</u> | <u>\$ 1,855,695</u> | <u>\$ 1,705,525</u> |

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | |
|---|--|--------------------------------------|
| | AUTO PARKING | WASTE WATER TREATMENT PLANT |
| OPERATING REVENUES | | |
| Charges for services | \$ 1,856 | \$ 3,842,706 |
| Miscellaneous | 193 | 3,221 |
| Intergovernmental | 15,251 | 100,217 |
| Equipment rentals | | |
| | 17,300 | 3,946,144 |
| TOTAL OPERATING REVENUES | 17,300 | 3,946,144 |
| OPERATING EXPENSES | | |
| Salaries and wages | 3,728 | 542,942 |
| Fringe benefits | 15,411 | 571,108 |
| Office supplies | 2,434 | 12,772 |
| Operating supplies | | 124,641 |
| Administrative fees | | 357,661 |
| Professional and contractual services | | 112,395 |
| Printing | | |
| Insurance and bonds | | 39,257 |
| Public utilities | | 180,486 |
| Repairs and maintenance | | 52,226 |
| Rentals | 4,309 | 269,706 |
| Miscellaneous | | 246,349 |
| Property taxes | | 117,305 |
| Special assessment | | 623,932 |
| Depreciation | 25,120 | 775,806 |
| Capital outlay | | 91,792 |
| Conferences | | 4,911 |
| | 51,002 | 4,123,289 |
| TOTAL OPERATING EXPENSES | 51,002 | 4,123,289 |
| OPERATING INCOME (LOSS) | (33,702) | (177,145) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest earned | 232 | 1,062 |
| Gain on sale of fixed assets | | |
| Interest expense | | (178,337) |
| | 232 | (177,275) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 232 | (177,275) |

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

| BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | GOVERNMENTAL ACTIVITIES | | |
|--|--------------|---------------|---------------------------|-----------|--|
| WATER SUPPLY | 2015 | TOTAL 2014 | INTERNAL SERVICE FUNDS | | |
| | | | 2015 | 2014 | |
| \$ 2,836,852 | \$ 6,681,414 | \$ 6,813,240 | | | |
| 1,011 | 4,425 | 6,289 | | | |
| 42,479 | 157,947 | 62,660 | | | |
| | | | 1,127,767 | 1,120,550 | |
| 2,880,342 | 6,843,786 | 6,882,189 | 1,127,767 | 1,120,550 | |
| 267,077 | 813,747 | 798,574 | 104,929 | 111,289 | |
| 318,134 | 904,653 | 1,193,870 | 84,339 | 109,335 | |
| 18,115 | 33,321 | 16,337 | 778 | 913 | |
| 1,489,468 | 1,614,109 | 1,546,657 | 235,902 | 391,931 | |
| 242,074 | 599,735 | 538,527 | 18,980 | 17,393 | |
| 50,906 | 163,301 | 128,147 | 9,821 | 11,497 | |
| | | 3,281 | | | |
| 6,120 | 45,377 | 39,698 | 69,192 | 40,865 | |
| 16,081 | 196,567 | 211,678 | 12,594 | 9,308 | |
| 109,527 | 161,753 | 69,570 | 115,895 | 11,246 | |
| | 274,015 | 337,483 | 5,633 | 4,050 | |
| 4,474 | 250,823 | 36,625 | 1,511 | 9,105 | |
| 45,460 | 162,765 | 207,880 | | | |
| 95,262 | 719,194 | 560,035 | | | |
| 229,664 | 1,030,590 | 1,029,552 | 182,560 | 187,020 | |
| | 91,792 | 13,981 | 25,580 | 22,524 | |
| 848 | 5,759 | 6,715 | 535 | 1,112 | |
| 2,893,210 | 7,067,501 | 6,738,610 | 868,249 | 927,588 | |
| (12,868) | (223,715) | 143,579 | 259,518 | 192,962 | |
| 1,601 | 2,895 | 5,675 | 2,756 | 1,996 | |
| | (178,337) | (187,348) | 10,268 | 6,132 | |
| 1,601 | (175,442) | (181,673) | 13,024 | 8,128 | |

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS - Concluded
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | |
|--|--|--------------------------------------|
| | AUTO PARKING | WASTE WATER TREATMENT PLANT |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | \$ (33,470) | \$ (354,420) |
| OPERATING TRANSFERS | | |
| Operating transfers in | 37,006 | 513,203 |
| Operating transfers out | | (691,280) |
| | 3,536 | (532,497) |
| NET INCOME (LOSS) | 3,536 | (532,497) |
| NET POSITION, JULY 1 | 354,590 | 13,164,114 |
| ADD DEPRECIATION OF FIXED ASSETS AQUIRED 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 | | |
| NET POSITION, JUNE 30 | \$ 358,126 | \$ 13,127,923 |

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

| WATER SUPPLY | 2015 | TOTAL | 2014 | INTERNAL SERVICE FUNDS 2015 | 2014 |
|---------------------|----------------------|----------------------|----------------------|-----------------------------------|---------------------|
| \$ (11,267) | \$ (399,157) | \$ (38,094) | \$ (38,094) | \$ 272,542 | \$ 201,090 |
| 764,843 | 1,315,052 | 35,964 | 35,964 | 10,000 | |
| <u>(651,070)</u> | <u>(1,342,350)</u> | <u>(564,851)</u> | <u>(564,851)</u> | <u>(185,000)</u> | <u>(252,622)</u> |
| 102,506 | (426,455) | (566,981) | (566,981) | 97,542 | (51,532) |
| 8,755,826 | 22,274,530 | 21,302,592 | 21,302,592 | 1,652,620 | 1,704,152 |
| | 246,306 | 738,919 | 738,919 | | |
| | 250,000 | 800,000 | 800,000 | | |
| <u>6,315</u> | <u>6,315</u> | | | | |
| <u>\$ 8,864,647</u> | <u>\$ 22,350,696</u> | <u>\$ 22,274,530</u> | <u>\$ 22,274,530</u> | <u>\$ 1,750,162</u> | <u>\$ 1,652,620</u> |

CITY OF LAPEER, MICHIGAN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | |
|--|--|----------------------------------|
| | AUTO PARKING | WASTEWATER TREATMENT PLANT |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 17,300 | \$ 3,960,364 |
| Cash received from interfund charges | | |
| Cash payment for goods and services | (25,870) | (3,106,713) |
| Cash payment for employees | | (1,013,198) |
| | | |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | (8,570) | (159,547) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Operating transfers in | 37,006 | 513,203 |
| Operating transfers out | | (691,280) |
| | | |
| NET CASH PROVIDED BY (USED IN) NON- CAPITAL FINANCING ACTIVITIES | 37,006 | (178,077) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Payment for capital acquisitions | | (77,458) |
| Principal payments | | (365,000) |
| Proceeds from bonds | | |
| Sale of capital assets | | |
| Decrease in investments | | 301,913 |
| Interest and fiscal charges paid | | (178,337) |
| | | |
| NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | | (318,882) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 232 | 1,062 |
| | | |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 28,668 | (655,444) |
| CASH AND CASH EQUIVALENTS, JULY 1 | 67,721 | 1,009,924 |
| CASH AND CASH EQUIVALENTS, JUNE 30 | \$ 96,389 | \$ 354,480 |

See accompanying notes to financial statements.

| BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS | |
|--|--------------------|---------------------|---|---------------------|
| WATER SUPPLY | TOTAL | TOTAL | 2015 | 2014 |
| | 2015 | 2014 | | |
| \$ 2,968,634 | \$ 6,946,298 | \$ 6,739,192 | \$ 1,120,383 | \$ 1,120,550 |
| (3,472,182) | (6,604,765) | (3,353,820) | (454,900) | (523,724) |
| <u>(495,327)</u> | <u>(1,508,525)</u> | <u>(1,496,196)</u> | <u>(188,555)</u> | <u>(219,537)</u> |
| <u>(998,875)</u> | <u>(1,166,992)</u> | <u>1,889,176</u> | <u>476,928</u> | <u>377,289</u> |
| 764,843 | 1,315,052 | 35,964 | 10,000 | |
| <u>(651,070)</u> | <u>(1,342,350)</u> | <u>(564,851)</u> | <u>(185,000)</u> | <u>(252,622)</u> |
| <u>113,773</u> | <u>(27,298)</u> | <u>(528,887)</u> | <u>(175,000)</u> | <u>(252,622)</u> |
| (491,986) | (569,444) | (501,644) | (352,528) | (141,986) |
| | (365,000) | (355,000) | | |
| 566,028 | 867,941 | 358,664 | 26,002 | 15,400 |
| <u>(178,337)</u> | <u>(178,337)</u> | <u>(187,348)</u> | <u>(253,650)</u> | |
| <u>74,042</u> | <u>(244,840)</u> | <u>(685,328)</u> | <u>(580,176)</u> | <u>(126,586)</u> |
| <u>1,601</u> | <u>2,895</u> | <u>5,675</u> | <u>2,756</u> | <u>1,996</u> |
| (809,459) | (1,436,235) | 680,636 | (275,492) | 77 |
| <u>1,088,307</u> | <u>2,165,952</u> | <u>1,485,316</u> | <u>1,072,629</u> | <u>1,072,552</u> |
| <u>\$ 278,848</u> | <u>\$ 729,717</u> | <u>\$ 2,165,952</u> | <u>\$ 797,137</u> | <u>\$ 1,072,629</u> |

CITY OF LAPEER, MICHIGAN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS - Concluded

FOR THE YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 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>(33,702)</u> | \$ <u>(177,145)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | |
| Depreciation | 25,120 | 775,806 |
| Gain on sale of fixed assets | | 95,615 |
| Retiree health insurance | | 95,615 |
| (Increase) decrease in inventory | | |
| (Increase) decrease in accounts receivable | | 14,220 |
| (Increase) decrease in prepaid expenses | | 1,081 |
| (Increase) decrease in due from other funds | | (793,921) |
| (Increase) decrease in deposits | | |
| (Increase) decrease in due from other units | | |
| Increase (decrease) in accounts payable | 12 | (80,440) |
| Increase (decrease) in due to other funds | | |
| Increase (decrease) in accrued expenses | | 5,237 |
| Increase (decrease) in performance bonds payable | | |
| Total adjustments | <u>25,132</u> | <u>17,598</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ (8,570)</u> | <u>\$ (159,547)</u> |

See accompanying notes to financial statements.

| BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | GOVERNMENTAL ACTIVITIES | |
|--|------------------------------|----------------------------|----------------------------|---------------------------|
| WATER SUPPLY | TOTAL | TOTAL | INTERNAL SERVICE FUNDS | INTERNAL SERVICE FUNDS |
| | 2015 | 2014 | 2015 | 2014 |
| \$ <u>(12,868)</u> | \$ <u>(223,715)</u> | \$ <u>143,579</u> | \$ <u>259,518</u> | \$ <u>192,962</u> |
| 229,664 | 1,030,590 | 1,029,552 | 182,560 | 187,020 |
| 93,178 | 188,793 | 487,785 | (10,268) | (6,132) |
| 1,656 | 1,656 | (2,604) | (314) | (2,820) |
| 25,632 | 39,852 | (81,336) | (7,384) | |
| 542 | 1,623 | (8,822) | 189 | (196) |
| (1,324,031) | (2,117,952) | | | |
| 62,660 | 62,660 | (61,661) | | |
| (70,514) | (150,942) | 375,220 | 51,914 | 5,368 |
| (3,294) | 1,943 | 8,463 | 713 | 1,087 |
| (1,500) | (1,500) | (1,000) | | |
| <u>(986,007)</u> | <u>(943,277)</u> | <u>1,745,597</u> | <u>217,410</u> | <u>184,327</u> |
| \$ <u><u>(998,875)</u></u> | \$ <u><u>(1,166,992)</u></u> | \$ <u><u>1,889,176</u></u> | \$ <u><u>476,928</u></u> | \$ <u><u>377,289</u></u> |

CITY OF LAPEER, MICHIGAN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

| | PAYROLL CLEARING | TAX COLLECTION |
|---|---------------------|-------------------|
| ASSETS | | |
| Cash | \$ 96,295 | \$ 113 |
| Investment | | |
| Accounts receivable | | 130,427 |
| Prepaid expenses | | |
| TOTAL ASSETS | \$ 96,295 | \$ 130,540 |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts payable | \$ 96,295 | \$ 113 |
| Undistributed taxes | | |
| Due to other funds | | 130,427 |
| TOTAL LIABILITIES | \$ 96,295 | \$ 130,540 |

See accompanying notes to financial statements.

SPECIAL
ASSESSMENT
CREDIT
ESCROW

EMPLOYEE
HEALTH CARE

TOTAL

\$ 147

\$ 147

\$ 196,574
606,715

\$ 851,703

\$ 293,129
606,715
130,427
48,414

\$ 1,078,685

\$ 147

\$ 147

\$ 851,703

\$ 851,703

\$ 851,963
96,295
130,427

\$ 1,078,685

CITY OF LAPEER, MICHIGAN
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2015

| | DOWNTOWN DEVELOPMENT AUTHORITY | BROWNFIELD REDEVELOPMENT |
|---|--------------------------------------|-----------------------------------|
| ASSETS | | |
| Cash | \$ 46,078 | \$ 1,060 |
| Note receivable | | |
| Due from other units | 60,598 | |
| Capital assets not being depreciated | 269,780 | |
| Capital assets (net of accumulated depreciation) | <u>355,593</u> | <u> </u> |
| TOTAL ASSETS | <u><u>\$ 732,049</u></u> | <u><u>\$ 1,060</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 | 625,373 | |
| Assigned | <u>106,676</u> | <u>1,060</u> |
| TOTAL NET POSITION | <u>732,049</u> | <u>1,060</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 732,049</u></u> | <u><u>\$ 1,060</u></u> |

See accompanying notes to financial statements.

| TAX INCREMENT FINANCE AUTHORITY | ECONOMIC DEVELOPMENT CORPORATION | LOCAL DEVELOPMENT FINANCE AUTHORITY | TOTAL |
|--|--|--|----------------------------|
| \$ 1,049,335 | \$ 5,073 | \$ 175,761 | \$ 1,277,307 |
| 189,795 | | | 189,795 |
| 16,449 | | | 77,047 |
| 14,400 | | 206,774 | 490,954 |
| <u>2,981,523</u> | <u> </u> | <u> </u> | <u>3,337,116</u> |
| <u><u>\$ 4,251,502</u></u> | <u><u>\$ 5,073</u></u> | <u><u>\$ 382,535</u></u> | <u><u>\$ 5,372,219</u></u> |
| | | | |
| \$ | \$ | \$ | \$ |
| <u>4,132</u> | <u> </u> | <u> </u> | <u>4,132</u> |
| <u>4,132</u> | <u> </u> | <u> </u> | <u>4,132</u> |
| | | | |
| 2,995,923 | | 206,774 | 3,828,070 |
| <u>1,251,447</u> | <u>5,073</u> | <u>175,761</u> | <u>1,540,017</u> |
| <u>4,247,370</u> | <u>5,073</u> | <u>382,535</u> | <u>5,368,087</u> |
| <u><u>\$ 4,251,502</u></u> | <u><u>\$ 5,073</u></u> | <u><u>\$ 382,535</u></u> | <u><u>\$ 5,372,219</u></u> |

CITY OF LAPEER, MICHIGAN
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2015

| | | PROGRAM REVENUES | |
|-------------------------------------|--------------|----------------------|------------------------------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS |
| Component Units | | | |
| Tax Increment Finance Authority | \$ 1,667,357 | \$ | \$ |
| Brownfield Redevelopment | 1,979 | | |
| Downtown Development Authority | 221,085 | | 116,000 |
| Local Development Finance Authority | 304,552 | | |
| Economic Development Corporation | 363 | | |
| Total Component Units | \$ 2,195,336 | \$ | \$ 116,000 |
| General Revenues | | | |
| Property taxes | | | |
| Miscellaneous | | | |
| Unrestricted investment earnings | | | |
| Total General Revenues | | | |
| Change in Net Position | | | |
| NET POSITION, JULY 1 | | | |
| NET POSITION, JUNE 30 | | | |

See accompanying notes to financial statements.

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 |
|--------------------------------------|-----------------------------|--|--|--|---------------------|
| \$ | \$ | \$ (1,667,357) | \$ | \$ | \$ (1,667,357) |
| (105,085) | (1,979) | | | | (1,979) |
| | | | | (304,552) | (105,085) |
| | | | (363) | | (304,552) |
| <u>(105,085)</u> | <u>(1,979)</u> | <u>(1,667,357)</u> | <u>(363)</u> | <u>(304,552)</u> | <u>(2,079,336)</u> |
| 78,621 | 2,489 | 1,088,989 | | 329,874 | 1,499,973 |
| 184,855 | | 46,224 | | | 231,079 |
| 137 | | 3,056 | 1 | 283 | 3,477 |
| <u>263,613</u> | <u>2,489</u> | <u>1,138,269</u> | <u>1</u> | <u>330,157</u> | <u>1,734,529</u> |
| 158,528 | 510 | (529,088) | (362) | 25,605 | (344,807) |
| <u>573,521</u> | <u>550</u> | <u>4,776,458</u> | <u>5,435</u> | <u>356,930</u> | <u>5,712,894</u> |
| <u>\$ 732,049</u> | <u>\$ 1,060</u> | <u>\$ 4,247,370</u> | <u>\$ 5,073</u> | <u>\$ 382,535</u> | <u>\$ 5,368,087</u> |

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CITY OF LAPEER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 Cities 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 Cities 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, however, 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 provided 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, 2015 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 2014 reflected in the accompanying financial statements include property taxes levied July 1, 2014, and substantially collected at June 30, 2015.

The total 2014 levy for the City was \$2,186,618 which was based upon the taxable value as of March 1, 2014 of \$223,124,281 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, 2015, 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 14-15:

| | |
|-------------------------------|--------------|
| 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, 2015, 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, 2015, 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.

Sick days are earned by employees at a rate of 1 day for each year of service at the beginning of every year plus 1 day per month during the year. Each employee will have one less sick day each year until a level of 13 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 160 days or such higher cap as established as of July 1, 1988. Employees with 10 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 15 or more years of seniority are paid one-third of accumulated sick days up to their cap upon voluntary resignation. 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.

NOTE 4: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

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

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

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2015 are as follows:

| FUND | DUE FROM | FUND | DUE TO |
|-------------------------------|---------------------|-------------------------|-----------------------------|
| Major Street | \$ 706,949 | 2015 General Obligation | |
| Local Street | 276,100 | Construction | \$ 2,258,856 |
| Wastewater | 513,203 | | |
| Water | <u>762,604</u> | | <u> </u> |
| Subtotal | <u>2,258,856</u> | Subtotal | <u>2,258,856</u> |
| Local Street | \$ 1,172 | Tax Collection | \$ 130,427 |
| 2009 General Obligation Bond | 116,857 | | |
| 2006 Special Assessment Bond | 6,860 | | |
| 2007 Special Assessment Bond | 242 | | |
| 2008A Special Assessment Bond | 598 | | |
| 2010 Special Assessment Bond | 2,056 | | <u> </u> |
| 2011 Special Assessment Bond | <u>2,642</u> | | |
| Subtotal | <u>130,427</u> | Subtotal | <u>130,427</u> |
| Site Plan Review | <u>2,000</u> | General | <u>2,000</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>\$ 4,539,298</u> | TOTAL | <u>\$ 4,539,298</u> |

RECONCILIATION TO STATEMENTS

| | DUE FROM | DUE TO |
|-------------------|-----------------------------|---------------------|
| Government funds | \$ 1,115,476 | \$ 4,408,871 |
| Proprietary funds | | |
| Business-type | 3,423,822 | |
| Fiduciary | <u> </u> | <u>130,427</u> |
| | <u>\$ 4,539,298</u> | <u>\$ 4,539,298</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, 2015:

| FUND | TRANSFERS IN | FUND | TRANSFERS OUT |
|--------------------------------|------------------|--------------------------------------|-------------------|
| Major Street | \$ 45,000 | General | \$ 1,303,607 |
| Local Street | 157,980 | | |
| Park | 500,000 | | |
| Cemetery | 136,768 | | |
| Site Plan Review | 10,000 | | |
| Police K-9 | 2,515 | | |
| 2013 General Obligation Bond | 12,531 | | |
| 2001 Building Authority Bond | 99,879 | | |
| 2008 Equipment Financing Debt | 16,761 | | |
| 2008A Equipment Financing Debt | 172,187 | | |
| Capital Improvement | 112,980 | | |
| Parking | <u>37,006</u> | | <u> </u> |
| Subtotal | <u>1,303,607</u> | Subtotal | <u>1,303,607</u> |
| 2006 General Obligation Bond | 65,000 | Local Street | 84,612 |
| 2007 General Obligation Bond | 4,319 | | |
| 2008A General Obligation Bond | <u>15,293</u> | | <u> </u> |
| Subtotal | <u>84,612</u> | Subtotal | <u>84,612</u> |
| Local Street | 39,956 | Major Street | 65,125 |
| 2010 General Obligation Bond | <u>25,169</u> | | <u> </u> |
| Subtotal | <u>65,125</u> | Subtotal | <u>65,125</u> |
| Major Street | 706,949 | 2015 General Obligation Construction | 2,258,856 |
| Local Street | 276,100 | | |
| Wastewater | 513,203 | | |
| Water | <u>762,604</u> | | <u> </u> |
| Subtotal | <u>2,258,856</u> | | <u>2,258,856</u> |
| General | 362,385 | Wastewater | 691,280 |
| 2009 General Obligation Bond | 48,177 | | |
| Land Acquisition | <u>280,718</u> | | <u> </u> |
| Subtotal | <u>691,280</u> | Subtotal | <u>691,280</u> |
| 2009 General Obligation Bond | 89,643 | Water | 651,070 |
| Land Acquisition | <u>561,427</u> | | <u> </u> |
| Subtotal | <u>651,070</u> | Subtotal | <u>651,070</u> |

NOTE 6: **OPERATING TRANSFERS** – Concluded

| | | | |
|------------------------------|---------------------|------------------------------|-----------------------------|
| General | \$ 9,235 | Capital Improvement | \$ 88,889 |
| Major Street | 50,000 | | |
| 2001 Building Authority Bond | <u>29,654</u> | | <u> </u> |
| Subtotal | <u>88,889</u> | Subtotal | <u>88,889</u> |
| General | 212,961 | Site Plan Review | 7,961 |
| | | Housing Resource | 20,000 |
| | | Motorpool | 85,000 |
| | | Information Technology | 85,000 |
| | | Telephone | <u>15,000</u> |
| Subtotal | <u>212,961</u> | Subtotal | <u>212,961</u> |
| Cemetery | 23 | Cemetery Perpetual Care | 23 |
| 2008 General Obligation Bond | 414,825 | 2009 General Obligation Bond | 414,825 |
| 2013 General Obligation Bond | 64,046 | Land Acquisition | 64,046 |
| 2001 Building Authority Bond | 26,533 | Oakdale | 26,533 |
| Land Acquisition | 40,000 | Building Department | 40,000 |
| Water | 2,239 | Site Plan Review | 2,239 |
| Motorpool | <u>10,000</u> | Park | <u>10,000</u> |
| TOTAL | <u>\$ 5,914,066</u> | TOTAL | <u>\$ 5,914,066</u> |

RECONCILIATION TO STATEMENTS

| | TRANSFERS IN | TRANSFERS OUT |
|--------------------|---------------------|---------------------|
| Governmental funds | \$ 4,589,014 | \$ 4,386,716 |
| Proprietary funds | | |
| Business-type | 1,315,052 | 1,342,350 |
| Internal service | <u>10,000</u> | <u>185,000</u> |
| TOTAL | <u>\$ 5,914,066</u> | <u>\$ 5,914,066</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, 2015 is as follows:

| FUND | COMMON CASH | OTHER CASH | INVESTMENTS | TOTAL |
|------------------------------|----------------|---------------|--------------|--------------|
| General | \$ 1,751,450 | \$ 10,507 | \$ 1,103,776 | \$ 2,865,733 |
| Local Street | 259,713 | | | 259,713 |
| Parks and Recreation | 410,278 | 19,599 | | 429,877 |
| Oakdale Development | 57,731 | | | 57,731 |
| Youth Mini-Grant | 563 | | | 563 |
| Local Development | | | | |
| Finance Authority | | 175,761 | | 175,761 |
| Drug Law Enforcement | 7,127 | | | 7,127 |
| D.A.R.E. | 7,549 | | | 7,549 |
| Public Safety Training | 2,412 | | | 2,412 |
| Mt. Hope Cemetery | 61,737 | | | 61,737 |
| Economic Development | | | | |
| Corporation | | 5,073 | | 5,073 |
| Downtown Development | | | | |
| Authority | | 46,078 | | 46,078 |
| Building Department | 78,147 | | | 78,147 |
| General Forfeiture | 10,542 | | | 10,542 |
| Police K-9 Program | 10,508 | | | 10,508 |
| Tax Increment | | | | |
| Finance Authority | | 1,049,335 | | 1,049,335 |
| Parking Fund | 96,389 | | | 96,389 |
| 2010 Special Assessment Bond | | 99,484 | | 99,484 |
| Special Assessment Credit | | | | |
| Escrow Fund | | 147 | | 147 |
| 2010 General Obligation | | | | |
| Limited Tax Bond | | 1,207 | | 1,207 |
| 2006 Special Assessment Bond | | 11,004 | | 11,004 |
| 2007 Special Assessment Bond | | 95,736 | | 95,736 |
| Mobile Training Unit | 2,807 | | | 2,807 |
| Telephone Communication | 114,213 | | | 114,213 |
| Housing Resource | 54,183 | | | 54,183 |
| 2001 Building Authority Bond | | 3,268 | | 3,268 |
| Site Plan Review | 9,362 | | | 9,362 |
| 2007 General Obligation | | | | |
| Limited Tax Bond | | 24,540 | | 24,540 |
| 2008 General Obligation | | | | |
| Limited Tax Bond | | 185 | | 185 |
| 2008A General Obligation, | | | | |
| Limited Tax Bond | | 6,504 | | 6,504 |
| 2008A Equipment | | | | |
| Financing Debt Fund | | 2 | | 2 |
| Land Acquisition | 744,486 | | 469,179 | 1,213,665 |
| 2011 Special Assessment Bond | | 148,663 | | 148,663 |
| Waste Water Treatment Plant | 354,480 | | 223,395 | 577,875 |
| Major Street | 194,712 | | | 194,712 |
| 2006 General Obligation | | | | |
| Limited Tax Bond | | 903 | | 903 |
| 2013 General Obligation | | | | |
| Limited Tax Bond | | 6,084 | | 6,084 |

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

| FUND | COMMON CASH | OTHER CASH | INVESTMENTS | TOTAL |
|--|----------------------------|----------------------------|----------------------------|-----------------------------|
| Water Supply | \$ 278,748 | \$ 100 | \$ | \$ 278,848 |
| Motor Pool | 402,486 | | 253,650 | 656,136 |
| Mt. Hope Cemetery Perpetual Care | 8,658 | | | 8,658 |
| Information Technology | 280,438 | | | 280,438 |
| 2009 General Obligation Limited Tax Bonds | | 3,233,801 | | 3,233,801 |
| Tax Collection | 113 | | | 113 |
| 2005 Equipment Financing Debt Fund | | 114 | | 114 |
| 2008A Special Assessment Bond | | 30,773 | | 30,773 |
| 2008 Equipment Financing Debt Fund | | 13,869 | | 13,869 |
| 2015 General Obligation Const. | | 47,105 | | 47,105 |
| Payroll Clearing | 96,295 | | | 96,295 |
| Brownfield Redevelopment Authority | | 1,060 | | 1,060 |
| Employee Health Care | 196,574 | | 606,715 | 803,289 |
| Capital Improvements | <u>65,361</u> | <u></u> | <u></u> | <u>65,361</u> |
| TOTAL | <u>\$ 5,557,062</u> | <u>\$ 5,030,902</u> | <u>\$ 2,656,715</u> | <u>\$ 13,244,679</u> |

RECONCILIATION TO STATEMENTS

| FUND | COMMON CASH | OTHER CASH | INVESTMENTS | TOTAL |
|--------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| Governmental funds | \$ 3,737,326 | \$ 3,753,348 | \$ 1,572,955 | \$ 9,063,629 |
| Proprietary funds | | | | |
| Enterprise | 729,617 | 100 | 223,395 | 953,112 |
| Internal service | 797,137 | | 253,650 | 1,050,787 |
| Fiduciary funds | 292,982 | 147 | 606,715 | 899,844 |
| Component units | <u></u> | <u>1,277,307</u> | <u></u> | <u>1,277,307</u> |
| | <u>\$ 5,557,062</u> | <u>\$ 5,030,902</u> | <u>\$ 2,656,715</u> | <u>\$ 13,244,679</u> |

FINANCIAL STATEMENT
PRESENTATION

| | |
|-----------------|-----------------------------|
| Cash | \$ 10,294,835 |
| Investments | 2,050,000 |
| Fiduciary funds | <u>899,844</u> |
| TOTAL | <u>\$ 13,244,679</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, 2015, the carrying amount of the City’s deposits was \$13,244,679 and the bank balance was \$12,708,354, of which \$1,000,000 was covered by federal depository insurance. The remaining balance of \$11,708,354 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 Citys (NRSRO’s). As of June 30, 2015, 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, 2014 valuation date, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 55 |
| Inactive employees entitled to but not yet receiving benefits | 19 |
| Active employees | <u>71</u> |
| TOTAL | <u>145</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**

Employer contributions range from 13.28% to 22.19% based on annual payroll for open divisions.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2014, 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, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation 3% - 4%. Salary increases: 4.5% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015 and 2016, respectively). Investment rate of return: 8.0%, net of investment expenses, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation for 3%-4%.

Mortality rates used were based on the 1994 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 in 2008 (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 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 2014. 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 (a) | PLAN FIDUCIARY NET POSITION (b) | NET PENSION LIABILITY (a) - (b) |
| Balances at 12/31/13 | \$ <u>22,016,167</u> | \$ <u>15,232,599</u> | \$ <u>6,783,568</u> |
| Changes for the Year | | | |
| Service cost | 435,088 | | 435,088 |
| Interest on Total Pension Liability | 1,792,434 | | 1,792,434 |
| Employer Contributions | | 970,425 | (970,425) |
| Net investment income | | 965,353 | (965,353) |
| Benefit payments, including employee refunds | (1,014,475) | (1,014,475) | |
| Administrative expense | | (35,527) | 35,527 |
| Net changes | <u>1,213,047</u> | <u>885,776</u> | <u>327,271</u> |
| Balances as of 12/31/14 | \$ <u>23,229,214</u> | \$ <u>16,118,375</u> | \$ <u>7,110,839</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 12/31/14 | 7,110,839 | 7,110,839 | 7,110,839 |
| Change in Net Pension Liability (NPL) | <u>2,710,355</u> | <u> </u> | <u>2,307,224</u> |
| Calculated NPL for your Notes | <u>9,821,194</u> | <u>7,110,839</u> | <u>4,803,615</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, 2014, the employer recognized pension expense of \$1,066,081. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows Of Resources |
|---|--------------------------------------|
| Differences in experience | \$ |
| Differences in assumptions | |
| Excess (Deficit) Investment Returns | 231,615 |
| Contributions subsequent to the measurement date | <u>430,149</u> |
| Total | <u>\$ 661,764</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, 2014.

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

| Year ended | |
|------------|-----------|
| 2016 | \$ 57,904 |
| 2017 | 57,904 |
| 2018 | 57,904 |
| 2019 | 57,903 |

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, 2015:

| | WATER AND SEWER REVENUE BONDS | GENERAL OBLIGATION BONDS | NOTES PAYABLE | COMPENSATED ABSENCES |
|------------------------|-------------------------------------|--------------------------------|--------------------|-------------------------|
| As of July 1, 2013 | \$ 7,315,961 | \$ 7,130,000 | \$ 959,144 | \$ 512,177 |
| Additions (Reductions) | (<u>365,000</u>) | <u>860,000</u> | (<u>326,474</u>) | <u>14,644</u> |
| As of June 30, 2015 | \$ <u>6,950,961</u> | \$ <u>7,990,000</u> | \$ <u>632,670</u> | \$ <u>526,821</u> |

Long-term debt at June 30, 2015 is comprised of the individual issues:

| | BALANCE AS OF JULY 1, 2014 | ADDITIONS (DEDUCTIONS) | BALANCE AS OF JUNE 30, 2015 | 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%. | \$ 7,315,961 | \$(365,000) | \$ 6,950,961 | \$ 365,000 |
| Less: Amount payable within one year | | | <u>365,000</u> | |
| TOTAL LONG-TERM DEBT BUSINESS-TYPE ACTIVITIES | | | \$ <u>6,585,961</u> | |

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

Long-term debt at June 30, 2015 is comprised of the individual issues:

| | BALANCE AS OF JULY 1, 2014 | ADDITIONS (DEDUCTIONS) | BALANCE AS OF JUNE 30, 2015 | 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%. | \$ 225,000 | \$(40,000) | \$ 185,000 | \$ 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%. | \$ 130,000 | \$(20,000) | \$ 110,000 | \$ 20,000 |
| \$152,000 2006 Abstract Building installment and purchase loan in annual installments of \$14,319 through February 1, 2019; interest at 3.870%. | 63,867 | (11,827) | 52,040 | 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%. | 733,293 | (152,663) | 580,630 | 158,634 |
| \$280,000 2006 Special Assessment Bond due in annual installments of \$30,000 through January 1, 2016; interest at 3.95%. | 60,000 | (30,000) | 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%. | 120,000 | (60,000) | 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%. | 50,000 | (10,000) | 40,000 | 10,000 |
| \$175,000 2007 Special Assessment Bond due in annual installments of \$15,000 to \$20,000 through November 1, 2017; interest at 3.95%. | 75,000 | (20,000) | 55,000 | 15,000 |
| \$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%. | 3,145,000 | (670,000) | 2,475,000 | 645,000 |

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

| | BALANCE AS OF JULY 1, 2014 | ADDITIONS (DEDUCTIONS) | BALANCE AS OF JUNE 30, 2015 | 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%. | 1,720,000 | (340,000) | 1,380,000 | 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%. | \$ 70,000 | \$(15,000) | \$ 55,000 | \$ 15,000 |
| \$95,000 2008 Series A Special Assessment Bond due in annual installments of \$10,000 through November 1, 2017; interest at 3.95%. | 40,000 | (10,000) | 30,000 | 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%. | 300,000 | (145,000) | 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%. | 295,000 | (35,000) | 260,000 | 35,000 |
| \$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%. | 900,000 | (120,000) | 780,000 | 120,000 |
| \$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 | |
| \$300,000 2008 Series A Equipment Financing contract due in annual installments of \$25,567.55 to \$34,990.92 through July 1, 2018; interest at 4.00%. | 161,985 | (161,985) | | |
| Accumulated compensated absences | <u>512,177</u> | <u>14,644</u> | <u>526,821</u> | <u>79,023</u> |
| TOTAL PRIMARY GOVERNMENT | \$ <u>8,601,322</u> | \$ <u>548,169</u> | 9,149,491 | \$ <u>1,744,933</u> |
| Less: Amount payable within one year | | | <u>1,744,933</u> | |
| TOTAL LONG-TERM DEBT GOVERNMENTAL ACTIVITIES | | | \$ <u>7,404,558</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, | | | | |
| 2016 | Principal | \$ 375,000 | \$ 1,665,640 | \$ 2,040,640 |
| | Interest | 173,774 | 269,688 | 443,462 |
| | Total | 548,774 | 1,935,328 | 2,484,102 |
| 2017 | Principal | 385,000 | 1,577,031 | 1,962,031 |
| | Interest | 164,399 | 210,678 | 375,077 |
| | Total | 549,399 | 1,787,709 | 2,337,108 |
| 2018 | Principal | 395,000 | 1,583,670 | 1,978,670 |
| | Interest | 154,774 | 151,088 | 305,862 |
| | Total | 549,774 | 1,734,758 | 2,284,532 |
| 2019 | Principal | 405,000 | 1,436,329 | 1,841,329 |
| | Interest | 144,899 | 92,488 | 237,387 |
| | Total | 549,899 | 1,528,817 | 2,078,716 |
| 2020 | Principal | 415,000 | 405,000 | 820,000 |
| | Interest | 134,774 | 60,075 | 194,849 |
| | Total | 549,774 | 465,075 | 1,014,849 |
| 2021 – 2025 | Principal | 2,230,000 | 1,025,000 | 3,255,000 |
| | Interest | 513,245 | 195,770 | 709,015 |
| | Total | 2,743,245 | 1,220,770 | 3,964,015 |
| 2026 – 2030 | Principle | 2,530,000 | 450,000 | 2,980,000 |
| | Interest | 219,870 | 106,841 | 326,711 |
| | Total | 2,749,870 | 556,841 | 3,306,711 |
| 2031 – 2035 | Principle | 215,961 | 395,000 | 610,961 |
| | Interest | 5,399 | 48,483 | 53,882 |
| | Total | 221,360 | 443,483 | 664,843 |
| 2036 - | Principle | | 85,000 | 85,000 |
| | Interest | | 1,445 | 1,445 |
| | Total | | 86,445 | 86,445 |
| TOTAL | | | | |
| | Principal | 6,950,961 | 8,622,670 | 15,573,631 |
| | Interest | 1,511,134 | 1,136,556 | 2,647,690 |
| | Total | 8,462,095 | 9,759,226 | 18,221,321 |

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, 2015, is as follows:

| | AUTO PARKING FUND | WASTE WATER TREATMENT PLANT FUND | WATER SUPPLY FUND | TOTAL |
|---|-------------------------|--|-------------------------|---------------|
| Total assets | \$ 850,196 | \$ 22,469,475 | \$ 9,945,876 | \$ 33,265,547 |
| Deferred outflows of resources | | 20,894 | 9,792 | 30,686 |
| Total liabilities | 162,070 | 8,295,247 | 1,081,229 | 9,538,546 |
| Contributed capital | 330,000 | 1,046,305 | | 1,376,305 |
| Total net position | 358,126 | 13,127,923 | 8,864,647 | 22,350,696 |
| Operating revenues | 17,300 | 3,946,144 | 2,880,342 | 6,843,786 |
| Operating expenses | 51,002 | 4,123,289 | 2,893,210 | 7,067,501 |
| Depreciation expense | 25,120 | 775,806 | 229,664 | 1,030,590 |
| Operating income (loss) | (33,702) | (177,145) | (12,868) | (223,715) |
| Nonoperating revenues (expenses) | 232 | (177,275) | 1,601 | (175,442) |
| Transfers | 37,006 | (178,077) | 113,773 | (27,298) |
| Change in net position | 3,536 | (532,497) | 102,506 | (426,455) |
| Beginning net position | 354,590 | 13,164,114 | 8,755,826 | 22,274,530 |
| Reduction of contributed capital | | 496,306 | | 496,306 |
| Prior period adjustment | | | 6,315 | 6,315 |
| Ending net position | 358,126 | 13,127,923 | 8,864,647 | 22,350,696 |
| Cash flows from operating activities | (8,570) | (159,547) | (998,875) | (1,166,992) |
| Cash flows from noncapital and related financing activities | 37,006 | (178,077) | 113,773 | (27,298) |
| Cash flows from capital and related financing activities | | (318,882) | 74,042 | (244,840) |
| Cash flows from investing activities | 232 | 1,062 | 1,601 | 2,895 |
| Cash and cash equivalents – beginning | 67,721 | 1,009,924 | 1,088,307 | 2,165,952 |
| Cash and cash equivalents – ending | 96,389 | 354,480 | 278,848 | 729,717 |

NOTE 11: **CAPITAL ASSETS**

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

| | JULY 1, 2014 | ADDITIONS | DELETIONS | TRANSFERS | JUNE 30, 2015 |
|--|-------------------|------------------|------------------|--------------|-------------------|
| GOVERNMENTAL | | | | | |
| Capital assets not being depreciated | | | | | |
| Construction in progress | \$ 580,515 | \$ 1,066,321 | \$ 1,319,532 | \$ | \$ 327,304 |
| Land | <u>24,311,700</u> | <u>1,171,598</u> | <u>2,084</u> | | <u>25,481,214</u> |
| Total capital assets not being depreciated | <u>24,892,215</u> | <u>2,237,919</u> | <u>1,321,616</u> | | <u>25,808,518</u> |
| Capital assets being depreciated | | | | | |
| Buildings | 5,815,993 | | | | 5,815,993 |
| Improvements | 5,607,848 | 133,366 | | (3,628) | 5,737,586 |
| Machinery and equipment | 6,634,892 | 366,542 | 126,158 | | 6,875,276 |
| Infrastructure | <u>42,119,048</u> | <u>1,199,726</u> | | <u>3,628</u> | <u>43,322,402</u> |
| Total capital assets being depreciated | <u>60,177,781</u> | <u>1,699,634</u> | <u>126,158</u> | | <u>61,751,257</u> |

NOTE 11: **CAPITAL ASSETS** - Continued

| | JULY 1, 2014 | ADDITIONS | DELETIONS | TRANSFERS | JUNE 30, 2015 |
|--|---------------------|---------------------|---------------------|-----------|---------------------|
| GOVERNMENTAL - Concluded | | | | | |
| Less: accumulated depreciation | | | | | |
| Buildings | \$ 2,471,827 | \$ 156,923 | \$ | \$ | \$ 2,628,750 |
| Improvements | 3,295,793 | 214,824 | 5,527 | | 3,505,090 |
| Machinery and equipment | 4,808,015 | 298,942 | 115,692 | | 4,991,265 |
| Infrastructure | <u>15,281,186</u> | <u>2,007,453</u> | _____ | _____ | <u>17,288,639</u> |
| Total accumulated depreciation | <u>25,856,821</u> | <u>2,678,142</u> | <u>121,219</u> | _____ | <u>28,413,744</u> |
| Total capital assets being depreciated - net | <u>34,320,960</u> | (<u>978,508</u>) | <u>4,939</u> | _____ | <u>33,337,513</u> |
| NET CAPITAL ASSETS | <u>\$59,213,175</u> | <u>\$ 1,259,411</u> | <u>\$ 1,326,555</u> | \$ _____ | <u>\$59,146,031</u> |

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

| GOVERNMENTAL ACTIVITY | AMOUNT |
|---|----------------------------|
| General government | \$ 253,341 |
| Public safety | 158,601 |
| Public works | 108,425 |
| Streets | 2,001,421 |
| Recreation | <u>156,354</u> |
| TOTAL DEPRECIATION EXPENSE GOVERNMENTAL ACTIVITIES | <u>\$ 2,678,142</u> |

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

| | JULY 1, 2014 | ADDITIONS | DELETIONS | JUNE 30, 2015 |
|--------------------------------|---------------------|---------------------|-----------|---------------------|
| COMPONENT UNITS | | | | |
| Land | \$ 375,174 | \$ | \$ | \$ 375,174 |
| Buildings | 7,201,243 | | | 7,201,243 |
| Construction in Progress | _____ | <u>115,780</u> | _____ | <u>115,780</u> |
| Total Capital Assets | <u>7,576,417</u> | <u>115,780</u> | _____ | <u>7,692,197</u> |
| Less: accumulated depreciation | | | | |
| Buildings | <u>3,678,887</u> | <u>185,240</u> | _____ | <u>3,864,127</u> |
| NET CAPITAL ASSETS | <u>\$ 3,897,530</u> | \$(<u>69,460</u>) | \$ _____ | <u>\$ 3,828,070</u> |

NOTE 11: **CAPITAL ASSETS** - Concluded

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

| | JULY 1, 2014 | ADDITIONS | DELETIONS | JUNE 30, 2015 |
|---|--------------------------------|---------------------------------|---------------------------------|---------------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Construction in progress | \$ 491,130 | \$ 565,944 | \$ 558,855 | \$ 498,219 |
| Land | <u>798,214</u> | <u> </u> | <u> </u> | <u>798,214</u> |
| Total capital assets not being depreciated | <u>1,289,344</u> | <u>565,944</u> | <u>558,855</u> | <u>1,296,433</u> |
| Capital assets being depreciated | | | | |
| Buildings | 19,689,067 | 3,500 | | 19,692,567 |
| Machinery and equipment | 1,653,292 | | | 1,653,292 |
| Infrastructure | 21,377,586 | 558,855 | | 21,936,441 |
| Improvements | <u>1,006,401</u> | <u> </u> | <u> </u> | <u>1,006,401</u> |
| Total capital assets being depreciated | <u>43,726,346</u> | <u>562,355</u> | <u> </u> | <u>44,288,701</u> |
| Less: accumulated depreciation | | | | |
| Buildings | 9,351,299 | 465,850 | | 9,817,149 |
| Machinery and equipment | 1,400,070 | 32,747 | | 1,432,817 |
| Infrastructure | 5,171,147 | 506,724 | | 5,677,871 |
| Improvements | <u>559,359</u> | <u>25,269</u> | <u> </u> | <u>584,628</u> |
| Total accumulated depreciation | <u>16,481,875</u> | <u>1,030,590</u> | <u> </u> | <u>17,512,465</u> |
| Total capital assets being depreciated | <u>27,244,471</u> | <u> </u> | <u> </u> | <u>26,776,236</u> |
| NET CAPITAL ASSETS | <u>\$28,533,815</u> | <u>\$ 97,709</u> | <u>\$ 558,855</u> | <u>\$ 28,072,669</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 | \$ 25,119 |
| Wastewater | 775,808 |
| Water | <u>229,663</u> |
| TOTAL DEPRECIATION EXPENSE BUSINESS-TYPE ACTIVITIES | <u>\$ 1,030,590</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 December 31, 2013, 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 \$671,428 during the year ended June 30, 2015. The total number of eligible retirees amounted to 45 at June 30, 2015. The City pays 100% of these costs. There are no provisions for employee contributions. The City has recorded a liability of \$8,971,231 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 \$606,215 at June 30, 2015. The City of Lapeer did not meet its Annual Required Contribution (ARC) requirements in 2014 by \$1,459,678.

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, 2015, 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 | \$ 2,131,106 |
| Amount contributed | (671,428) |
| ARC adjustment | (552,697) |
| Interest on net OPEB obligation | <u>456,467</u> |
| Increase in OPEB obligation | 1,363,448 |
| Net OPEB obligation, July 1 | <u>7,607,783</u> |
| NET OPEB OBLIGATION, JUNE 30 | <u>\$ 8,971,231</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, 2013 | June 30, 2013 | \$ 1,827,818 | 30.1% | \$ 6,286,825 |
| 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 |

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, 2013 | \$ 791,043 | \$ 22,483,987 | \$ 21,692,944 | 3.5% |
| June 30, 2014 | 900,941 | 23,600,698 | 22,699,757 | 3.8% |
| June 30, 2015 | 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, 2015 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 | \$ 1,294,633 |
| Public safety | 2,639,682 |
| Public works | 2,203,667 |
| Cultural and recreation | 817,634 |
| Community development and enrichment | <u>64,069</u> |
| Total Governmental Activities | <u>7,019,685</u> |
| Business-Type Activities | |
| Auto parking | 162,025 |
| Wastewater treatment plant | 1,158,072 |
| Water supply | <u>631,449</u> |
| Total Business-Type Activities | <u>1,951,546</u> |
| TOTAL OPEB OBLIGATION | <u>\$ 8,971,231</u> |
| | RETIREEE HEALTH CARE TRUST FUND |
| ASSETS | |
| Investments | |
| Other investments | <u>\$ 606,715</u> |
| NET POSITION | |
| Held in trust for postemployment healthcare benefits | <u>\$ 606,715</u> |
| INCOME | |
| Contributions | |
| Employer | \$ 671,428 |
| Investment income | 33,708 |
| Other | (1,779) |
| TOTAL INCOME | <u>703,357</u> |
| EXPENSES | |
| Distributions | <u>571,845</u> |
| NET LOSS | 131,512 |
| NET POSITION, JULY 1 | <u>475,203</u> |
| NET POSITION, JUNE 30 | <u>\$ 606,715</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, 2013, from which the summarized information was derived.

NOTE 23: DEFICIT FUND BALANCE

The following fund showed a deficit fund balance at June 30, 2015:

| | |
|------------------|----------------------|
| Land acquisition | \$(<u>934,350</u>) |
|------------------|----------------------|

NOTE 24: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

NOTE 25: PENDING LEGAL PROCEEDINGS

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

NOTE 26: CHANGES IN ACCOUNTING PRINCIPLES

In June, 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual cost of pension benefits. 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 financial statements for the City's fiscal year ending June 30, 2015.

NOTE 27: UPCOMING ACCOUNTING PRONOUNCEMENTS

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 City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2015-2016 fiscal year.

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 28: **INSURANCE RECOVERIES**

A building adjacent to the Pix Theatre caught fire during the 2014/2015 fiscal year. The owner of the building did not have sufficient insurance coverage and opted to donate the building and land to the City as well as give them \$30,000 cash. Extensive repairs had to be done to the Pix Theatre. The total amount of insurance recoveries during the year was \$175,074. This amount is included on the other income line on the financial statements.

NOTE 29: **PRIOR PERIOD ADJUSTMENTS**

| | GOVERNMENT WIDE | BUSINESS TYPE |
|--|--------------------|------------------|
| Adjustment for fixed assets net recorded at June 30, 2014 | \$ 25,259 | \$ 6,315 |
| Adjustment for implementation of GASB 68 | (6,121,804) | |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

| | BUDGETED AMOUNTS | | | VARIANCE FAVORABLE (UNFAVORABLE) |
|----------------------------|------------------|------------------|------------------|--|
| | ORIGINAL | FINAL | ACTUAL | |
| REVENUES | | | | |
| Taxes | | | | |
| Property taxes | \$ 2,565,438 | \$ 2,565,438 | \$ 2,646,058 | \$ 80,620 |
| Penalties and interest | 75,000 | 75,000 | 81,414 | 6,414 |
| City income taxes | <u>2,545,000</u> | <u>2,545,000</u> | <u>2,895,494</u> | <u>350,494</u> |
| Total Taxes | <u>5,185,438</u> | <u>5,185,438</u> | <u>5,622,966</u> | <u>437,528</u> |
| Federal Grants | | | | |
| Federal Drug Grant (TNU) | 23,000 | 23,000 | 29,280 | 6,280 |
| MSHDA Section 8 | 136,500 | 136,500 | 145,173 | 8,673 |
| School liaison officer | <u>31,000</u> | <u>31,000</u> | <u>31,000</u> | |
| Total Federal Grants | <u>190,500</u> | <u>190,500</u> | <u>205,453</u> | <u>14,953</u> |
| Licenses and Permits | | | | |
| Licenses | 5,500 | 5,500 | 9,748 | 4,248 |
| Permits | <u>8,000</u> | <u>8,000</u> | <u>11,579</u> | <u>3,579</u> |
| Total Licenses and Permits | <u>13,500</u> | <u>13,500</u> | <u>21,327</u> | <u>7,827</u> |
| Intergovernmental | | | | |
| Sales tax | 725,000 | 725,000 | 735,714 | 10,714 |
| Liquor licenses | <u>11,500</u> | <u>11,500</u> | <u>275</u> | <u>(11,225)</u> |
| Total Intergovernmental | <u>736,500</u> | <u>736,500</u> | <u>735,989</u> | <u>(511)</u> |
| Charges for Services | | | | |
| Administrative fees | 680,652 | 680,652 | 680,652 | |
| Copies | 4,000 | 4,000 | 4,705 | 705 |
| Fire runs and protection | 432,000 | 432,000 | 444,755 | 12,755 |
| IFT application fee | 1,000 | 1,000 | 1,000 | |
| Other fees | 37,970 | 37,970 | 31,357 | (6,613) |
| Cable franchise fees | <u>110,000</u> | <u>110,000</u> | <u>92,367</u> | <u>(17,633)</u> |
| Total Charges for Services | <u>1,265,622</u> | <u>1,265,622</u> | <u>1,254,836</u> | <u>(10,786)</u> |
| Fines and Forfeits | | | | |
| Court fines | <u>47,000</u> | <u>47,000</u> | <u>43,387</u> | <u>(3,613)</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, 2015

| | BUDGETED AMOUNTS | | | VARIANCE |
|---|------------------|-----------|-----------|----------------------------|
| | ORIGINAL | FINAL | ACTUAL | FAVORABLE (UNFAVORABLE) |
| REVENUES - Concluded | | | | |
| Other Revenues | | | | |
| Interest on investments | \$ 5,000 | \$ 5,000 | \$ 10,632 | \$ 5,632 |
| Rentals | 60,636 | 60,636 | 53,127 | (7,509) |
| Reimbursements | 83,550 | 83,550 | 68,017 | (15,533) |
| Miscellaneous | 4,500 | 4,500 | 15,490 | 10,990 |
| Sale of tax map books | 12 | 12 | | (12) |
| Contributions | 4,650 | 664,757 | 578,734 | (86,023) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Other Revenues | 158,348 | 818,455 | 726,000 | (92,455) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| TOTAL REVENUES | 7,596,908 | 8,257,015 | 8,609,958 | 352,943 |
| <hr/> | | | | |
| EXPENDITURES | | | | |
| General Government | | | | |
| Legislative | 35,371 | 35,371 | 34,303 | 1,068 |
| Executive/Clerk | 523,848 | 523,848 | 488,581 | 35,267 |
| Assessor's office | 267,921 | 281,521 | 281,257 | 264 |
| Income tax | 207,301 | 207,301 | 190,282 | 17,019 |
| Attorney/Jury-Witness | 185,300 | 163,850 | 138,110 | 25,740 |
| Elections | 48,754 | 48,754 | 32,743 | 16,011 |
| City Hall | 30,724 | 43,874 | 43,858 | 16 |
| Board of Review | 1,614 | 1,614 | 658 | 956 |
| Accounting and data processing | 489,244 | 489,244 | 477,895 | 11,349 |
| Cable advisory board | 388 | 388 | 221 | 167 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total General Government | 1,790,465 | 1,795,765 | 1,687,908 | 107,857 |
| <hr/> | | | | |
| Public Safety | | | | |
| Police | 3,049,134 | 3,049,134 | 2,813,741 | 235,393 |
| Fire | 866,100 | 868,952 | 777,221 | 91,731 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Public Safety | 3,915,234 | 3,918,086 | 3,590,962 | 327,124 |
| <hr/> | | | | |
| Public Works | | | | |
| Public services | 1,192,546 | 1,184,546 | 1,096,811 | 87,735 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Community development and enrichment | 347,110 | 347,110 | 326,342 | 20,768 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

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, 2015

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|--|-----------------------------|----------------------------|----------------------------|--|
| | ORIGINAL | FINAL | | |
| EXPENDITURES - Concluded | | | | |
| Other Functions | | | | |
| Contingency | \$ 101,000 | \$ 1,000 | \$ (97,589) | \$ 98,589 |
| Contributions to other units | 61,359 | 61,359 | 61,359 | |
| Contributions to component units | <u> </u> | <u>1,059,462</u> | <u>1,059,413</u> | <u>49</u> |
| Total Other Functions | <u>162,359</u> | <u>1,121,821</u> | <u>1,023,183</u> | <u>98,638</u> |
| TOTAL EXPENDITURES | <u>7,407,714</u> | <u>8,367,328</u> | <u>7,725,206</u> | <u>642,122</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | | | | |
| | <u>189,194</u> | <u>(110,313)</u> | <u>884,752</u> | <u>995,065</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 1,277,727 | 597,620 | 584,581 | (13,039) |
| Operating transfers out | <u>(2,124,573)</u> | <u>(1,303,607)</u> | <u>(1,303,607)</u> | |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(846,846)</u> | <u>(705,987)</u> | <u>(719,026)</u> | <u>(13,039)</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | | | | |
| | (657,652) | (816,300) | 165,726 | 982,026 |
| FUND BALANCE, JULY 1 | <u>2,808,288</u> | <u>2,808,288</u> | <u>2,808,288</u> | |
| FUND BALANCE, JUNE 30 | <u><u>\$ 2,150,636</u></u> | <u><u>\$ 1,991,988</u></u> | <u><u>\$ 2,974,014</u></u> | <u><u>\$ 982,026</u></u> |

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

PARKS AND RECREATION FUND

FOR THE YEAR ENDED JUNE 30, 2015

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|--|-------------------|-------------------|-------------------|--|
| | ORIGINAL | FINAL | | |
| REVENUES | | | | |
| Charges for services | \$ 1,077,000 | \$ 1,077,000 | \$ 1,104,244 | \$ 27,244 |
| Interest and rent | 48,700 | 48,700 | 52,511 | 3,811 |
| Contribution from component units | | 265,440 | 273,365 | 7,925 |
| Other revenues | 12,500 | 12,500 | 17,727 | 5,227 |
| | <u>1,138,200</u> | <u>1,403,640</u> | <u>1,447,847</u> | <u>44,207</u> |
| EXPENDITURES | | | | |
| Culture and recreation | <u>1,923,746</u> | <u>1,923,746</u> | <u>1,807,662</u> | <u>116,084</u> |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | | | | |
| | <u>(785,546)</u> | <u>(520,106)</u> | <u>(359,815)</u> | <u>160,291</u> |
| OTHER FINANCING SOURCES | | | | |
| Operating transfers in | 762,940 | 500,000 | 500,000 | |
| Operating transfers out | <u>(10,000)</u> | <u>(10,000)</u> | <u>(10,000)</u> | |
| | <u>752,940</u> | <u>490,000</u> | <u>490,000</u> | |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES | | | | |
| | (32,606) | (30,106) | 130,185 | 160,291 |
| FUND BALANCE, JULY 1 | <u>224,373</u> | <u>224,373</u> | <u>224,373</u> | |
| FUND BALANCE, JUNE 30 | <u>\$ 191,767</u> | <u>\$ 194,267</u> | <u>\$ 354,558</u> | <u>\$ 160,291</u> |

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

| | 2015 |
|--|-----------------------------|
| TOTAL PENSION LIABILITY | |
| Service cost | \$ 435,088 |
| Interest | 1,792,434 |
| Benefit payments, including refunds | <u>(1,014,475)</u> |
| NET CHANGE IN TOTAL PENSION LIABILITY | 1,213,047 |
| TOTAL PENSION LIABILITY - BEGINNING OF YEAR | <u>22,016,167</u> |
| TOTAL PENSION LIABILITY - END OF YEAR | <u><u>\$ 23,229,214</u></u> |
| PLAN FIDUCIARY NET POSTION | |
| Contributions - employer | \$ 970,425 |
| Net investment income | 965,353 |
| Benefit payments, including refunds | (1,014,475) |
| Administrative expenses | <u>(35,527)</u> |
| NET CHANGE IN PLAN FIDUCIARY NET POSITION | 885,776 |
| PLAN FIDUCIARY NET POSTION - BEGINNING OF YEAR | <u>15,232,599</u> |
| PLAN FIDUCIARY NET POSTION - END OF YEAR | <u><u>\$ 16,118,375</u></u> |
| CITY'S NET PENSION LIABILITY - ENDING | <u><u>\$ 7,110,839</u></u> |
| PLAN FIDUCIARY NET POSTION AS A % OF TOTAL PENSION LIABILITY | 69.39% |
| COVERED EMPLOYEE PAYROLL | <u><u>\$ 4,449,996</u></u> |
| CITY'S NET PENSION LIABILITY AS A % OF COVERED EMPLOYEE PAYROLL | 159.79% |

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CITY OF LAPEER, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS

| | 2015 | 2014 | 2013 | 2012 |
|--|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 769,694 | \$ 792,143 | \$ 747,656 | \$ 722,120 |
| Contributions in relation to the actuarially determined contribution | 970,425 | 841,204 | 783,240 | 738,127 |
| CONTRIBUTION DEFICIENCY (EXCESS) | \$ (200,731) | \$ (49,061) | \$ (35,584) | \$ (16,007) |
| COVERED EMPLOYEE PAYROLL | \$ 4,449,996 | \$ 4,207,951 | \$ 4,539,885 | \$ 4,499,943 |
| CONTRIBUTIONS AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL | 21.81% | 19.99% | 17.25% | 16.40% |

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

| | |
|----------------|--|
| Valuation date | Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. |
|----------------|--|

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll |
| Remaining amortization period | 25 years |
| Asset valuation method | 10-year smoothed |
| Inflation | 3% |
| Salary increases | 4.50% |
| Investment rate of return | 8% |
| Retirement age | 60 |
| Mortality | 50% Female/50% Male 1994 Group Annuity Mortality Table |
| Other information | None |

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| \$ 733,956 | \$ 700,000 | \$ 632,668 | \$ 554,159 | \$ 509,857 | \$ 417,306 |
| <u>733,956</u> | <u>700,000</u> | <u>632,668</u> | <u>554,159</u> | <u>509,857</u> | <u>417,306</u> |
| \$ <u><u> </u></u> | \$ <u><u> </u></u> | \$ <u><u> </u></u> | \$ <u><u> </u></u> | \$ <u><u> </u></u> | \$ <u><u> </u></u> |
| \$ 4,541,250 | \$ 4,569,422 | \$ 4,431,469 | \$ 4,103,203 | \$ 3,820,997 | \$ 3,266,766 |
| 16.16% | 15.32% | 14.28% | 13.51% | 13.34% | 12.77% |

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NONMAJOR FUNDS

CITY OF LAPEER, MICHIGAN
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

| | SPECIAL REVENUE | DEBT SERVICE |
|---|---------------------|-------------------|
| ASSETS | | |
| Cash | \$ 757,093 | \$ 442,336 |
| Receivables | | |
| Accounts | 10,221 | |
| Special assessments | 4,975 | 255,592 |
| Due from | | |
| Other funds | 986,221 | 12,398 |
| Other units | 26,306 | |
| State | <u>119,411</u> | |
| TOTAL ASSETS | <u>1,904,227</u> | <u>710,326</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Prepaid expenses | <u>8,079</u> | |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 1,912,306</u> | <u>\$ 710,326</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | | |
| LIABILITIES | | |
| Payables | | |
| Accounts | \$ 184,434 | \$ |
| Payroll and payroll taxes | <u>10,395</u> | |
| TOTAL LIABILITIES | <u>194,829</u> | |
| DEFERRED INFLOWS OF RESOURCES | | |
| Special assesment - deferred revenue | <u>4,975</u> | <u>255,592</u> |
| FUND BALANCE | | |
| Nonspendable | | |
| Restricted for debt service | | 454,734 |
| Assigned | <u>1,712,502</u> | |
| TOTAL FUND BALANCE | <u>1,712,502</u> | <u>454,734</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | <u>\$ 1,912,306</u> | <u>\$ 710,326</u> |

| CAPITAL PROJECTS | PERMANENT FUND | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|---------------------|-------------------|--|
| \$ 65,361 | \$ 8,658 | \$ 1,273,448 |
| 60,928 | | 71,149 |
| | | 260,567 |
| | | 998,619 |
| | | 26,306 |
| | | 119,411 |
| <hr/> | <hr/> | <hr/> |
| 126,289 | 8,658 | 2,749,500 |
| <hr/> | <hr/> | <hr/> |
| | | 8,079 |
| \$ <u>126,289</u> | \$ <u>8,658</u> | \$ <u>2,757,579</u> |
| | | |
| \$ 31,156 | \$ | \$ 215,590 |
| <hr/> | <hr/> | <hr/> |
| | | 10,395 |
| 31,156 | | 225,985 |
| <hr/> | <hr/> | <hr/> |
| | | 260,567 |
| | 8,317 | 8,317 |
| | | 454,734 |
| 95,133 | 341 | 1,807,976 |
| <hr/> | <hr/> | <hr/> |
| 95,133 | 8,658 | 2,271,027 |
| <hr/> | <hr/> | <hr/> |
| \$ <u>126,289</u> | \$ <u>8,658</u> | \$ <u>2,757,579</u> |

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

| | SPECIAL REVENUE | DEBT SERVICE |
|---|----------------------------|--------------------------|
| REVENUES | | |
| Taxes and special assessments | \$ 1,683 | \$ 118,347 |
| Intergovernmental | 1,232,213 | |
| Charges for services | 320,172 | |
| Interest and rentals | 1,126 | 424 |
| Contribution from component units | 274,504 | |
| Other revenues | <u>168,504</u> | <u>248,619</u> |
| TOTAL REVENUES | <u>1,998,202</u> | <u>367,390</u> |
| EXPENDITURES | | |
| Public safety | 6,032 | |
| Health and welfare | 145,920 | |
| Community development and enrichment | 346,187 | |
| Debt service | | |
| Principal retirement | | 1,171,475 |
| Interest and fiscal charges | | 192,455 |
| Other | | |
| Highways and streets | 1,541,387 | |
| Capital outlay | | |
| TOTAL EXPENDITURES | <u>2,039,526</u> | <u>1,363,930</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(41,324)</u> | <u>(996,540)</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Proceeds of bond issues and loans | | |
| Operating transfers in | 1,425,291 | 946,197 |
| Operating transfers out | <u>(246,470)</u> | |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>1,178,821</u> | <u>946,197</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | 1,137,497 | (50,343) |
| FUND BALANCE, JULY 1 | <u>575,005</u> | <u>505,077</u> |
| FUND BALANCE, JUNE 30 | \$ <u><u>1,712,502</u></u> | \$ <u><u>454,734</u></u> |

| CAPITAL PROJECTS | PERMANENT FUND | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|-------------------------|------------------------|--|
| \$ | \$ | \$ |
| | | 120,030 |
| | | 1,232,213 |
| | 660 | 320,832 |
| 354 | 23 | 1,927 |
| | | 274,504 |
| <u>6,000</u> | | <u>423,123</u> |
| 6,354 | <u>683</u> | 2,372,629 |
| | | 6,032 |
| | | 145,920 |
| | | 346,187 |
| | | 1,171,475 |
| | | 192,455 |
| 10,000 | | 10,000 |
| <u>72,666</u> | | <u>1,541,387</u> |
| 82,666 | | 72,666 |
| | | <u>3,486,122</u> |
| <u>(76,312)</u> | <u>683</u> | <u>(1,113,493)</u> |
| | | |
| 112,980 | | 2,484,468 |
| <u>(88,889)</u> | <u>(23)</u> | <u>(335,382)</u> |
| | | |
| <u>24,091</u> | <u>(23)</u> | <u>2,149,086</u> |
| | | |
| (52,221) | 660 | 1,035,593 |
| <u>147,354</u> | <u>7,998</u> | <u>1,235,434</u> |
| \$ <u><u>95,133</u></u> | \$ <u><u>8,658</u></u> | \$ <u><u>2,271,027</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, 2015

WITH COMPARATIVE TOTALS FOR JUNE 30, 2014

| | 2015 | 2014 |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash | \$ 1,761,957 | \$ 1,868,516 |
| Investments | 1,103,776 | 958,664 |
| Receivables | | |
| Accounts | 188,260 | 64,775 |
| Property taxes | 94,420 | 84,835 |
| Due from other funds | | |
| Due from other governmental units | 6,770 | 15,460 |
| Due from state | 114,847 | 130,668 |
| Inventory | <u>56,088</u> | <u>51,369</u> |
| TOTAL ASSETS | <u>3,326,118</u> | <u>3,174,287</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Prepaid expenses | <u>90,219</u> | <u>100,767</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 3,416,337</u> | <u>\$ 3,275,054</u> |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts payable | \$ 108,590 | \$ 72,567 |
| Accrued payroll and payroll taxes | 183,974 | 154,373 |
| Due to other funds | 2,000 | |
| Due to other units | 125,083 | 186,695 |
| Security deposits | <u>22,676</u> | <u>53,131</u> |
| TOTAL LIABILITIES | <u>442,323</u> | <u>466,766</u> |
| FUND BALANCE | | |
| Nonspendable | | |
| Receivables | 188,260 | 64,775 |
| Prepaid expenses | 90,219 | 100,767 |
| Inventory | 56,088 | 51,369 |
| Unassigned | <u>2,639,447</u> | <u>2,591,377</u> |
| TOTAL FUND BALANCE | <u>2,974,014</u> | <u>2,808,288</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 3,416,337</u> | <u>\$ 3,275,054</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|----------------------------|------------------|------------------|--|------------------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| Taxes | | | | |
| Property taxes | \$ 2,565,438 | \$ 2,646,058 | \$ 80,620 | \$ 2,729,517 |
| Penalties and interest | 75,000 | 81,414 | 6,414 | 98,544 |
| City income taxes | <u>2,545,000</u> | <u>2,895,494</u> | <u>350,494</u> | <u>2,760,740</u> |
| Total Taxes | <u>5,185,438</u> | <u>5,622,966</u> | <u>437,528</u> | <u>5,588,801</u> |
| Federal Grants | | | | |
| Federal Drug Grant (TNU) | 23,000 | 29,280 | 6,280 | 35,126 |
| MSHDA Section 8 | 136,500 | 145,173 | 8,673 | 139,656 |
| School liaison officer | <u>31,000</u> | <u>31,000</u> | | <u>30,800</u> |
| Total Federal Grants | <u>190,500</u> | <u>205,453</u> | <u>14,953</u> | <u>205,582</u> |
| Licenses and Permits | | | | |
| Licenses | 5,500 | 9,748 | 4,248 | 4,573 |
| Permits | <u>8,000</u> | <u>11,579</u> | <u>3,579</u> | <u>8,490</u> |
| Total Licenses and Permits | <u>13,500</u> | <u>21,327</u> | <u>7,827</u> | <u>13,063</u> |
| Intergovernmental | | | | |
| Sales tax | 725,000 | 735,714 | 10,714 | 716,833 |
| Liquor licenses | <u>11,500</u> | <u>275</u> | <u>(11,225)</u> | <u>23,553</u> |
| Total Intergovernmental | <u>736,500</u> | <u>735,989</u> | <u>(511)</u> | <u>740,386</u> |
| Charges for Services | | | | |
| Administrative fees | 680,652 | 680,652 | | 611,581 |
| Copies | 4,000 | 4,705 | 705 | 4,462 |
| Fire runs and protection | 432,000 | 444,755 | 12,755 | 435,808 |
| IFT application fee | 1,000 | 1,000 | | 4,500 |
| Other fees | 37,970 | 31,357 | (6,613) | 35,613 |
| Cable franchise fees | <u>110,000</u> | <u>92,367</u> | <u>(17,633)</u> | <u>116,342</u> |
| Total Charges for Services | <u>1,265,622</u> | <u>1,254,836</u> | <u>(10,786)</u> | <u>1,208,306</u> |
| Fines and Forfeits | | | | |
| Court fines | <u>47,000</u> | <u>43,387</u> | <u>(3,613)</u> | <u>49,461</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, 2015

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|---|------------------|------------------|--|------------------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES - Concluded | | | | |
| Other Revenues | | | | |
| Interest on investments | \$ 5,000 | \$ 10,632 | \$ 5,632 | \$ 6,556 |
| Rentals | 60,636 | 53,127 | (7,509) | 60,736 |
| Reimbursements | 83,550 | 68,017 | (15,533) | 97,824 |
| Miscellaneous | 4,500 | 15,490 | 10,990 | 63,076 |
| Sale of tax map books | 12 | | (12) | 3 |
| Contributions | 664,757 | 578,734 | (86,023) | 884,792 |
| Total Other Revenues | 818,455 | 726,000 | (92,455) | 1,112,987 |
| TOTAL REVENUES | 8,257,015 | 8,609,958 | 352,943 | 8,918,586 |
| EXPENDITURES | | | | |
| General Government | | | | |
| Legislative | 35,371 | 34,303 | 1,068 | 31,774 |
| Executive/Clerk | 523,848 | 488,581 | 35,267 | 470,996 |
| Assessor's office | 281,521 | 281,257 | 264 | 227,412 |
| Income tax | 207,301 | 190,282 | 17,019 | 202,524 |
| Attorney/Jury-Witness | 163,850 | 138,110 | 25,740 | 156,366 |
| Elections | 48,754 | 32,743 | 16,011 | 10,702 |
| City Hall | 43,874 | 43,858 | 16 | 101,283 |
| Board of Review | 1,614 | 658 | 956 | 685 |
| Accounting and data processing | 489,244 | 477,895 | 11,349 | 483,385 |
| Cable advisory board | 388 | 221 | 167 | 120 |
| Total General Government | 1,795,765 | 1,687,908 | 107,857 | 1,685,247 |
| Public Safety | | | | |
| Police | 3,049,134 | 2,813,741 | 235,393 | 2,849,524 |
| Fire | 868,952 | 777,221 | 91,731 | 772,583 |
| Total Public Safety | 3,918,086 | 3,590,962 | 327,124 | 3,622,107 |
| Public Works | | | | |
| Public services | 1,184,546 | 1,096,811 | 87,735 | 931,929 |
| Community development and enrichment | 347,110 | 326,342 | 20,768 | 617,311 |

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|---|---------------------|---------------------|--|---------------------|
| | BUDGET | ACTUAL | | ACTUAL |
| EXPENDITURES - Concluded | | | | |
| Other Functions | | | | |
| Contingency | \$ 1,000 | \$ (97,589) | \$ 98,589 | \$ 6,200 |
| Contributions to other units | 61,359 | 61,359 | | 60,288 |
| Contributions to component units | <u>1,059,462</u> | <u>1,059,413</u> | <u>49</u> | <u>1,103,851</u> |
| Total Other Functions | <u>1,121,821</u> | <u>1,023,183</u> | <u>98,638</u> | <u>1,170,339</u> |
| TOTAL EXPENDITURES | <u>8,367,328</u> | <u>7,725,206</u> | <u>642,122</u> | <u>8,026,933</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>(110,313)</u> | <u>884,752</u> | <u>995,065</u> | <u>891,653</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 597,620 | 584,581 | (13,039) | 695,524 |
| Operating transfers out | <u>(1,303,607)</u> | <u>(1,303,607)</u> | | <u>(1,141,199)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(705,987)</u> | <u>(719,026)</u> | <u>(13,039)</u> | <u>(445,675)</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | (816,300) | 165,726 | 982,026 | 445,978 |
| FUND BALANCE, JULY 1 | <u>2,808,288</u> | <u>2,808,288</u> | | <u>2,362,310</u> |
| FUND BALANCE, JUNE 30 | <u>\$ 1,991,988</u> | <u>\$ 2,974,014</u> | <u>\$ 982,026</u> | <u>\$ 2,808,288</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, 2015

WITH COMPARATIVE TOTALS FOR JUNE 30, 2014

| | MAJOR STREET | LOCAL STREET |
|---|---------------------|-------------------|
| ASSETS | | |
| Cash | \$ 194,712 | \$ 259,713 |
| Special assessment receivable | | 4,975 |
| Accounts receivable | 5,771 | 1,380 |
| Due from other funds | 706,949 | 277,272 |
| Due from other units | | 26,306 |
| Due from state | <u>95,567</u> | <u>23,844</u> |
| TOTAL ASSETS | <u>1,002,999</u> | <u>593,490</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Prepaid expenses | <u>3,479</u> | <u>1,962</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 1,006,478</u> | <u>\$ 595,452</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts payable | \$ 115,845 | \$ 9,470 |
| Due to other funds | | |
| Payroll and taxes payable | <u>1,623</u> | <u>1,858</u> |
| TOTAL LIABILITIES | <u>117,468</u> | <u>11,328</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Special assessment deferred revenue | | <u>4,975</u> |
| FUND BALANCE | | |
| Nonspendable | | |
| Assigned | 889,010 | 579,149 |
| Unassigned | | |
| TOTAL FUND BALANCE | <u>889,010</u> | <u>579,149</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | <u>\$ 1,006,478</u> | <u>\$ 595,452</u> |

| PARKS AND RECREATION | MT. HOPE CEMETERY | YOUTH MINI-GRANT | BUILDING DEPARTMENT | OAKDALE DEVELOPMENT |
|----------------------------|-------------------------|----------------------|-------------------------|-------------------------|
| \$ 429,877 | \$ 61,737 | \$ 563 | \$ 78,147 | \$ 57,731 |
| 18,198 | | | 1,910 | |
| <u>448,075</u> | <u>61,737</u> | <u>563</u> | <u>80,057</u> | <u>57,731</u> |
| <u>12,916</u> | <u>229</u> | | <u>2,280</u> | <u>129</u> |
| \$ <u><u>460,991</u></u> | \$ <u><u>61,966</u></u> | \$ <u><u>563</u></u> | \$ <u><u>82,337</u></u> | \$ <u><u>57,860</u></u> |
| | | | | |
| \$ 61,544 | \$ 4,488 | \$ | \$ 33,104 | \$ 3,190 |
| <u>44,889</u> | <u>526</u> | | <u>5,308</u> | <u>1,080</u> |
| <u>106,433</u> | <u>5,014</u> | | <u>38,412</u> | <u>4,270</u> |
| | | | | |
| <u>354,558</u> | <u>56,952</u> | <u>563</u> | <u>43,925</u> | <u>53,590</u> |
| <u>354,558</u> | <u>56,952</u> | <u>563</u> | <u>43,925</u> | <u>53,590</u> |
| \$ <u><u>460,991</u></u> | \$ <u><u>61,966</u></u> | \$ <u><u>563</u></u> | \$ <u><u>82,337</u></u> | \$ <u><u>57,860</u></u> |

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - Continued

JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR JUNE 30, 2014

| | POLICE K-9 PROGRAM | DRUG LAW ENFORCEMENT |
|---|-----------------------|-------------------------|
| ASSETS | | |
| Cash | \$ 10,508 | \$ 7,127 |
| Special assessment receivable | | |
| Accounts receivable | | |
| Due from other funds | | |
| Due from other units | | |
| Due from state | | |
| TOTAL ASSETS | <u>10,508</u> | <u>7,127</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Prepaid expenses | | |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 10,508</u> | <u>\$ 7,127</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts payable | \$ | \$ |
| Due to other funds | | |
| Payroll and taxes payable | | |
| TOTAL LIABILITIES | <u></u> | <u></u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Special assessment deferred revenue | | |
| FUND BALANCE | | |
| Nonspendable | | |
| Assigned | 10,508 | 7,127 |
| Unassigned | | |
| TOTAL FUND BALANCE | <u>10,508</u> | <u>7,127</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | <u>\$ 10,508</u> | <u>\$ 7,127</u> |

| D.A.R.E. | SITE PLAN REVIEW | GENERAL FORFEITURE | PUBLIC SAFETY TRAINING |
|----------------------------|-----------------------------|-----------------------------|------------------------------|
| \$ 7,549 | \$ 9,362 | \$ 10,542 | \$ 2,412 |
| | 1,160 2,000 | | |
| <hr/> 7,549 <hr/> | <hr/> 12,522 <hr/> | <hr/> 10,542 <hr/> | <hr/> 2,412 <hr/> |
| <hr/> \$ 7,549 <hr/> <hr/> | <hr/> \$ 12,522 <hr/> <hr/> | <hr/> \$ 10,542 <hr/> <hr/> | <hr/> \$ 2,412 <hr/> <hr/> |
| \$ | \$ 11,607 | \$ | \$ 1,930 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| <hr/> | 11,607 <hr/> | <hr/> | 1,930 <hr/> |
| <hr/> | <hr/> | <hr/> | <hr/> |
| 7,549 | 915 | 10,542 | 482 |
| <hr/> 7,549 <hr/> | <hr/> 915 <hr/> | <hr/> 10,542 <hr/> | <hr/> 482 <hr/> |
| <hr/> \$ 7,549 <hr/> <hr/> | <hr/> \$ 12,522 <hr/> <hr/> | <hr/> \$ 10,542 <hr/> <hr/> | <hr/> \$ 2,412 <hr/> <hr/> |

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - Concluded
JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR JUNE 30, 2014

| | MOBILE TRAINING UNIT | HOUSING RESOURCE |
|---|----------------------------|---------------------|
| ASSETS | | |
| Cash | \$ 2,807 | \$ 54,183 |
| Special assessment receivable | | |
| Accounts receivable | | |
| Due from other funds | | |
| Due from other units | | |
| Due from state | | |
| | <hr/> | <hr/> |
| TOTAL ASSETS | <u>2,807</u> | <u>54,183</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Prepaid expenses | | |
| | <hr/> | <hr/> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 2,807</u> | <u>\$ 54,183</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts payable | \$ | \$ 4,800 |
| Due to other funds | | |
| Payroll and taxes payable | | |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES | <hr/> | <u>4,800</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Special assessment deferred revenue | | |
| | <hr/> | <hr/> |
| FUND BALANCE | | |
| Nonspendable | | |
| Assigned | 2,807 | 49,383 |
| Unassigned | | |
| | <hr/> | <hr/> |
| TOTAL FUND BALANCE | <u>2,807</u> | <u>49,383</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | <u>\$ 2,807</u> | <u>\$ 54,183</u> |

| TOTAL SPECIAL REVENUE 2015 | ELIMINATION OF MAJOR FUNDS | TOTAL NON- MAJOR SPECIAL REVENUE 2015 | TOTAL SPECIAL REVENUE 2014 |
|----------------------------------|----------------------------------|--|-------------------------------------|
| \$ 1,186,970 | \$ (429,877) | \$ 757,093 | \$ 767,270 |
| 4,975 | | 4,975 | 6,167 |
| 28,419 | (18,198) | 10,221 | 14,388 |
| 986,221 | | 986,221 | 1,411 |
| 26,306 | | 26,306 | 17,582 |
| 119,411 | | 119,411 | 365,385 |
| <u>2,352,302</u> | <u>(448,075)</u> | <u>1,904,227</u> | <u>1,172,203</u> |
| <u>20,995</u> | <u>(12,916)</u> | <u>8,079</u> | <u>18,827</u> |
| \$ <u><u>2,373,297</u></u> | \$ <u><u>(460,991)</u></u> | \$ <u><u>1,912,306</u></u> | \$ <u><u>1,191,030</u></u> |
| | | | |
| \$ 245,978 | \$ (61,544) | \$ 184,434 | \$ 328,163 |
| <u>55,284</u> | <u>(44,889)</u> | <u>10,395</u> | <u>57,324</u> |
| <u>301,262</u> | <u>(106,433)</u> | <u>194,829</u> | <u>385,487</u> |
| <u>4,975</u> | | <u>4,975</u> | <u>6,167</u> |
| | | | |
| 2,067,060 | (354,558) | 1,712,502 | 18,827 |
| <u>2,067,060</u> | <u>(354,558)</u> | <u>1,712,502</u> | <u>780,549</u> |
| | | | |
| \$ <u><u>2,373,297</u></u> | \$ <u><u>(460,991)</u></u> | \$ <u><u>1,912,306</u></u> | \$ <u><u>1,191,030</u></u> |

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | MAJOR STREET | LOCAL STREET |
|---|-------------------|-------------------|
| REVENUES | | |
| Taxes and special assessments | \$ | \$ 1,683 |
| Charges for services | | |
| Intergovernmental | | |
| Federal | 79,487 | 298,143 |
| State | 606,854 | 148,756 |
| Interest and rent | 13 | 450 |
| Donations | | |
| Contribution from component units | 115,419 | 112,500 |
| Other revenue | 12,949 | 133,959 |
| | <u>814,722</u> | <u>695,491</u> |
| TOTAL REVENUES | | |
| EXPENDITURES | | |
| Highways and streets | 766,326 | 775,061 |
| Culture and recreation | | |
| Health and welfare | | |
| Community development and enrichment | | |
| Public safety | | |
| | <u>766,326</u> | <u>775,061</u> |
| TOTAL EXPENDITURES | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | |
| | <u>48,396</u> | <u>(79,570)</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Operating transfers in | 801,949 | 474,036 |
| Operating transfers out | (65,125) | (84,612) |
| | <u>736,824</u> | <u>389,424</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | | |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | | |
| | 785,220 | 309,854 |
| PRIOR PERIOD ADJUSTMENT | | |
| FUND BALANCE, JULY 1 | <u>103,790</u> | <u>269,295</u> |
| FUND BALANCE, JUNE 30 | <u>\$ 889,010</u> | <u>\$ 579,149</u> |

| PARKS AND RECREATION | MT. HOPE CEMETERY | YOUTH MINI-GRANT | BUILDING DEPARTMENT | OAKDALE DEVELOPMENT |
|----------------------------|-------------------------|----------------------|-------------------------|-------------------------|
| \$ 1,104,244 | \$ 37,211 | \$ | \$ 277,125 | \$ |
| 52,511 | 124 | 2 | 212 | 187 |
| 11,458 | | | | |
| 273,365 | | | | 46,585 |
| 6,269 | | | 100 | |
| <u>1,447,847</u> | <u>37,335</u> | <u>2</u> | <u>277,437</u> | <u>46,772</u> |
| 1,807,662 | 145,920 | | | |
| | | | 205,002 | 26,892 |
| <u>1,807,662</u> | <u>145,920</u> | | <u>205,002</u> | <u>26,892</u> |
| <u>(359,815)</u> | <u>(108,585)</u> | <u>2</u> | <u>72,435</u> | <u>19,880</u> |
| 500,000 | 136,791 | | | |
| (10,000) | | | (40,000) | (26,533) |
| <u>490,000</u> | <u>136,791</u> | | <u>(40,000)</u> | <u>(26,533)</u> |
| 130,185 | 28,206 | 2 | 32,435 | (6,653) |
| <u>224,373</u> | <u>28,746</u> | <u>561</u> | <u>11,490</u> | <u>60,243</u> |
| \$ <u><u>354,558</u></u> | \$ <u><u>56,952</u></u> | \$ <u><u>563</u></u> | \$ <u><u>43,925</u></u> | \$ <u><u>53,590</u></u> |

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - Continued
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | POLICE K-9 PROGRAM | DRUG LAW ENFORCEMENT |
|--|-----------------------|-------------------------|
| REVENUES | | |
| Taxes and special assessments | \$ | \$ |
| Charges for services | | |
| Intergovernmental | | |
| Federal | | |
| State | | |
| Interest and rent | 29 | 20 |
| Donations | | |
| Contribution from component units | | |
| Other revenue | | |
| | <hr/> | <hr/> |
| TOTAL REVENUES | <u>29</u> | <u>20</u> |
| EXPENDITURES | | |
| Highways and streets | | |
| Culture and recreation | | |
| Health and welfare | | |
| Community development and enrichment | | |
| Public safety | 558 | |
| | <hr/> | <hr/> |
| TOTAL EXPENDITURES | <u>558</u> | <hr/> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(529)</u> | <u>20</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Operating transfers in | 2,515 | |
| Operating transfers out | | |
| | <hr/> | <hr/> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>2,515</u> | <hr/> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | 1,986 | 20 |
| PRIOR PERIOD ADJUSTMENT | | |
| FUND BALANCE, JULY 1 | <u>8,522</u> | <u>7,107</u> |
| FUND BALANCE, JUNE 30 | <u>\$ 10,508</u> | <u>\$ 7,127</u> |

| D.A.R.E. | SITE PLAN REVIEW | GENERAL FORFEITURE | PUBLIC SAFETY TRAINING |
|-----------------|---------------------|-----------------------|------------------------------|
| \$ | \$ | \$ | \$ |
| | 5,836 | | |
| 24 | 24 | 31 | 3,905 |
| 800 | | | 2 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| 824 | 5,860 | 149 | 3,907 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| 1,569 | 5,968 | | 3,905 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| 1,569 | 5,968 | | 3,905 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| (745) | (108) | 180 | 2 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| | 10,000 | | |
| <hr/> | (10,200) | <hr/> | <hr/> |
| <hr/> | <hr/> | <hr/> | <hr/> |
| | (200) | | |
| <hr/> | <hr/> | <hr/> | <hr/> |
| (745) | (308) | 180 | 2 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| 8,294 | 1,223 | 10,362 | 480 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| \$ <u>7,549</u> | \$ <u>915</u> | \$ <u>10,542</u> | \$ <u>482</u> |

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - Concluded
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | MOBILE TRAINING UNIT | HOUSING RESOURCE |
|---|----------------------------|---------------------|
| REVENUES | | |
| Taxes and special assessments | \$ | \$ |
| Charges for services | | |
| Intergovernmental | | |
| Federal | | 74,818 |
| State | | 20,250 |
| Interest and rent | 8 | |
| Donations | | |
| Contribution from component units | | |
| Other revenue | | 20,547 |
| | <hr/> | <hr/> |
| TOTAL REVENUES | 8 | 115,615 |
| | <hr/> | <hr/> |
| EXPENDITURES | | |
| Highways and streets | | |
| Culture and recreation | | |
| Health and welfare | | |
| Community development and enrichment | | 108,325 |
| Public safety | | |
| | <hr/> | <hr/> |
| TOTAL EXPENDITURES | | 108,325 |
| | <hr/> | <hr/> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 8 | 7,290 |
| | <hr/> | <hr/> |
| OTHER FINANCING SOURCES (USES) | | |
| Operating transfers in | | |
| Operating transfers out | | (20,000) |
| | <hr/> | <hr/> |
| TOTAL OTHER FINANCING SOURCES (USES) | | (20,000) |
| | <hr/> | <hr/> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | 8 | (12,710) |
| | <hr/> | <hr/> |
| PRIOR PERIOD ADJUSTMENT | | |
| FUND BALANCE, JULY 1 | 2,799 | 62,093 |
| | <hr/> | <hr/> |
| FUND BALANCE, JUNE 30 | \$ 2,807 | \$ 49,383 |
| | <hr/> <hr/> | <hr/> <hr/> |

| TOTAL SPECIAL REVENUE 2015 | ELIMINATION OF MAJOR FUNDS | TOTAL NON- MAJOR SPECIAL REVENUE 2015 | SPECIAL REVENUE 2014 |
|----------------------------------|----------------------------------|--|----------------------------|
| \$ 1,683 | \$ | \$ 1,683 | \$ 2,636 |
| 1,424,416 | (1,104,244) | 320,172 | 1,306,049 |
| 377,630 | | 377,630 | 257,428 |
| 759,515 | | 759,515 | 824,842 |
| 53,637 | (52,511) | 1,126 | 63,768 |
| 12,258 | (11,458) | 800 | 18,717 |
| 547,869 | (273,365) | 274,504 | 973,317 |
| 153,426 | (6,269) | 147,157 | 58,763 |
| <u>3,330,434</u> | <u>(1,447,847)</u> | <u>1,882,587</u> | <u>3,505,520</u> |
| 1,541,387 | | 1,541,387 | 1,882,036 |
| 1,807,662 | (1,807,662) | | 2,161,247 |
| 145,920 | | 145,920 | 177,867 |
| 237,862 | | 237,862 | 170,488 |
| 6,032 | | 6,032 | 7,333 |
| <u>3,738,863</u> | <u>(1,807,662)</u> | <u>1,931,201</u> | <u>4,398,971</u> |
| <u>(408,429)</u> | <u>(359,815)</u> | <u>(48,614)</u> | <u>(893,451)</u> |
| 1,925,291 | (500,000) | 1,425,291 | 1,624,335 |
| <u>(236,470)</u> | <u>10,000</u> | <u>(226,470)</u> | <u>(300,769)</u> |
| <u>1,688,821</u> | <u>(490,000)</u> | <u>1,198,821</u> | <u>1,323,566</u> |
| 1,280,392 | (130,185) | 1,150,207 | 430,115 |
| <u>737,285</u> | <u>(224,373)</u> | <u>512,912</u> | <u>369,261</u> |
| <u>\$ 2,017,677</u> | <u>\$ (354,558)</u> | <u>\$ 1,663,119</u> | <u>\$ 799,376</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|---|-------------------|-------------------|--|-------------------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| State grants | \$ 542,151 | \$ 606,854 | \$ 64,703 | \$ 645,222 |
| Federal grant | | 79,487 | 79,487 | |
| Interest on investments | 50 | 13 | (37) | 55 |
| Contribution from component units | 202,919 | 115,419 | (87,500) | 303,619 |
| Other revenue | 150,000 | 12,949 | (137,051) | 1,153 |
| TOTAL REVENUES | 895,120 | 814,722 | (80,398) | 950,049 |
| EXPENDITURES | | | | |
| Highways and streets | 1,369,438 | 766,326 | 603,112 | 1,362,509 |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | (474,318) | 48,396 | 522,714 | (412,460) |
| OTHER FINANCIING SOURCES (USES) | | | | |
| Operating transfers in | 801,949 | 801,949 | | 869,172 |
| Operating transfers out | (65,125) | (65,125) | | (121,010) |
| TOTAL OTHER FINANCING SOURCES (USES) | 736,824 | 736,824 | | 748,162 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | 262,506 | 785,220 | 522,714 | 335,702 |
| FUND BALANCE, JULY 1 | 103,790 | 103,790 | | (231,912) |
| PRIOR PERIOD ADJUSTMENT | | | | |
| FUND BALANCE, JUNE 30 | \$ <u>366,296</u> | \$ <u>889,010</u> | \$ <u>522,714</u> | \$ <u>103,790</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|---|------------|------------|--|------------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| Special assessments | \$ 1,418 | \$ 1,683 | \$ 265 | \$ 2,636 |
| State grants | 143,416 | 148,756 | 5,340 | 145,677 |
| Federal grants | 394,394 | 298,143 | (96,251) | 248,729 |
| Interest on investments | 400 | 450 | 50 | 370 |
| Contributions from component unit | 112,500 | 112,500 | | |
| Other revenue | 7,686 | 133,959 | 126,273 | 35,557 |
| TOTAL REVENUES | 659,814 | 695,491 | 35,677 | 432,969 |
| EXPENDITURES | | | | |
| Highways and streets | 1,000,865 | 775,061 | 225,804 | 519,527 |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | (341,051) | (79,570) | 261,481 | (86,558) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 474,036 | 474,036 | | 217,290 |
| Operating transfers out | (84,612) | (84,612) | | (81,748) |
| TOTAL OTHER FINANCING SOURCES (USES) | 389,424 | 389,424 | | 135,542 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | 48,373 | 309,854 | 261,481 | 48,984 |
| FUND BALANCE, JULY 1 | 269,295 | 269,295 | | 220,311 |
| FUND BALANCE, JUNE 30 | \$ 317,668 | \$ 579,149 | \$ 261,481 | \$ 269,295 |

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|--|--------------|--------------|--|--------------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| Charges for services | \$ 1,077,000 | \$ 1,104,244 | \$ 27,244 | \$ 1,088,041 |
| Interest and rent | 48,700 | 52,511 | 3,811 | 62,988 |
| Other revenues | 12,500 | 17,727 | 5,227 | 28,067 |
| Contribution from component units | 265,440 | 273,365 | 7,925 | 615,591 |
| Intergovernmental State | | | | 30,114 |
| TOTAL REVENUES | 1,403,640 | 1,447,847 | 44,207 | 1,824,801 |
| EXPENDITURES | | | | |
| Culture and recreation | 1,923,746 | 1,807,662 | 116,084 | 2,161,248 |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | (520,106) | (359,815) | 160,291 | (336,447) |
| OTHER FINANCING SOURCES | | | | |
| Operating transfers in | 500,000 | 500,000 | | 408,896 |
| Operating transfers out | (10,000) | (10,000) | | |
| TOTAL OTHER FINANCING SOURCES (USES) | 490,000 | 490,000 | | 408,896 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES | (30,106) | 130,185 | 160,291 | 72,449 |
| FUND BALANCE, JULY 1 | 224,373 | 224,373 | | 151,924 |
| FUND BALANCE, JUNE 30 | \$ 194,267 | \$ 354,558 | \$ 160,291 | \$ 224,373 |

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|--|-----------|-----------|--|-----------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| Charges for services | \$ 37,200 | \$ 37,211 | \$ 11 | \$ 35,749 |
| Interest on investments | 50 | 124 | 74 | 67 |
| Other revenue | | | | |
| TOTAL REVENUES | 37,250 | 37,335 | 85 | 35,816 |
| EXPENDITURES | | | | |
| Health and welfare | 180,902 | 145,920 | 34,982 | 177,867 |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | (143,652) | (108,585) | 35,067 | (142,051) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 136,791 | 136,791 | | 126,463 |
| Operating transfers out | | | | |
| TOTAL OTHER FINANCING SOURCES (USES) | 136,791 | 136,791 | | 126,463 |
| DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | (6,861) | 28,206 | 35,067 | (15,588) |
| FUND BALANCE, JULY 1 | 28,746 | 28,746 | | 44,334 |
| FUND BALANCE, JUNE 30 | \$ 21,885 | \$ 56,952 | \$ 35,067 | \$ 28,746 |

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|---|--------|--------|--|--------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| Interest income | \$ 2 | \$ 2 | \$ | \$ 2 |
| EXCESS OF REVENUES OVER EXPENDITURES | 2 | 2 | | 2 |
| FUND BALANCE, JULY 1 | 561 | 561 | \$ | 559 |
| FUND BALANCE, JUNE 30 | 563 | 563 | \$ | 561 |

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BUILDING DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|---|------------|------------|--|------------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| Charges for services | \$ 254,200 | \$ 277,125 | \$ 22,925 | \$ 175,534 |
| Interest on investments | 40 | 212 | 172 | 71 |
| Other revenues | 100 | 100 | | 9,914 |
| TOTAL REVENUES | 254,340 | 277,437 | 23,097 | 185,519 |
| EXPENDITURES | | | | |
| Community development and enrichment | 206,869 | 205,002 | 1,867 | 140,330 |
| EXCESS OF REVENUES OVER EXPENDITURES | 47,471 | 72,435 | 24,964 | 45,189 |
| OTHER FINANCING USES | | | | |
| Operating transfers out | (40,000) | (40,000) | | (42,802) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES | 7,471 | 32,435 | 24,964 | 2,387 |
| FUND BALANCE, JULY 1 | 11,490 | 11,490 | | 9,103 |
| FUND BALANCE, JUNE 30 | \$ 18,961 | \$ 43,925 | \$ 24,964 | \$ 11,490 |

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|--|------------------|------------------|--|------------------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| Interest and rent | \$ 80 | \$ 187 | \$ 107 | \$ 111 |
| Contribution from component units | <u>46,585</u> | <u>46,585</u> | | <u>54,107</u> |
| TOTAL REVENUES | 46,665 | 46,772 | 107 | 54,218 |
| EXPENDITURES | | | | |
| Community development and enrichment | <u>27,354</u> | <u>26,892</u> | <u>462</u> | <u>24,314</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>19,311</u> | <u>19,880</u> | <u>569</u> | <u>29,904</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | | | | |
| Operating transfers out | <u>(26,533)</u> | <u>(26,533)</u> | | <u>(27,272)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(26,533)</u> | <u>(26,533)</u> | | <u>(27,272)</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | (7,222) | (6,653) | 569 | 2,632 |
| FUND BALANCE, JULY 1 | <u>60,243</u> | <u>60,243</u> | | <u>57,611</u> |
| FUND BALANCE, JUNE 30 | <u>\$ 53,021</u> | <u>\$ 53,590</u> | <u>\$ 569</u> | <u>\$ 60,243</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|--|------------------------|-------------------------|--|------------------------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| Interest | \$ 12 | \$ 29 | \$ 17 | \$ 17 |
| Other revenue | <u>250</u> | <u> </u> | <u>(250)</u> | <u> </u> |
| TOTAL REVENUES | 262 | 29 | (233) | 17 |
| EXPENDITURES | | | | |
| Public safety | <u>1,621</u> | <u>558</u> | <u>1,063</u> | <u>483</u> |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | (1,359) | (529) | 830 | (466) |
| 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 | 1,156 | 1,986 | 830 | 2,049 |
| FUND BALANCE, JULY 1 | <u>8,522</u> | <u>8,522</u> | <u> </u> | <u>6,473</u> |
| FUND BALANCE, JUNE 30 | <u><u>\$ 9,678</u></u> | <u><u>\$ 10,508</u></u> | <u><u>\$ 830</u></u> | <u><u>\$ 8,522</u></u> |

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DRUG LAW ENFORCEMENT
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE | 2014 |
|---|------------------------|------------------------|----------------------------|------------------------|
| | BUDGET | ACTUAL | FAVORABLE (UNFAVORABLE) | ACTUAL |
| REVENUES | | | | |
| Interest earnings | \$ 10 | \$ 20 | \$ 10 | \$ 14 |
| Other revenues | <u>500</u> | <u> </u> | <u>(500)</u> | <u>727</u> |
| TOTAL REVENUES | 510 | 20 | (490) | 741 |
| EXPENDITURES | | | | |
| Public safety | <u>2,600</u> | <u> </u> | <u>2,600</u> | <u>1,292</u> |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | (2,090) | 20 | 2,110 | (551) |
| FUND BALANCE, JULY 1 | <u>7,107</u> | <u>7,107</u> | <u> </u> | <u>7,658</u> |
| FUND BALANCE, JUNE 30 | <u><u>\$ 5,017</u></u> | <u><u>\$ 7,127</u></u> | <u><u>\$ 2,110</u></u> | <u><u>\$ 7,107</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|---|----------|----------|--|----------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| Interest earnings | \$ 15 | \$ 24 | \$ 9 | \$ 19 |
| Other revenues | 1,000 | 800 | (200) | 1,600 |
| TOTAL REVENUES | 1,015 | 824 | (191) | 1,619 |
| EXPENDITURES | | | | |
| Public safety | 2,500 | 1,569 | 931 | 1,713 |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | (1,485) | (745) | 740 | (94) |
| FUND BALANCE, JULY 1 | 8,294 | 8,294 | | 8,388 |
| FUND BALANCE, JUNE 30 | \$ 6,809 | \$ 7,549 | \$ 740 | \$ 8,294 |

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|--|------------------------|----------------------|--|------------------------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| Charges for services | \$ 7,000 | \$ 5,836 | \$ (1,164) | \$ 6,726 |
| Interest earnings | <u>25</u> | <u>24</u> | <u>(1)</u> | <u>25</u> |
| TOTAL REVENUES | 7,025 | 5,860 | (1,165) | 6,751 |
| EXPENDITURES | | | | |
| Community development and enrichment | <u>10,000</u> | <u>5,968</u> | <u>4,032</u> | <u>1,706</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(2,975)</u> | <u>(108)</u> | <u>2,867</u> | <u>5,045</u> |
| OTHER FINANCING USES | | | | |
| Operating transfers in | 10,000 | 10,000 | | |
| Operating transfers out | <u>(7,000)</u> | <u>(10,200)</u> | <u>(3,200)</u> | <u>(7,937)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>3,000</u> | <u>(200)</u> | <u>(3,200)</u> | <u>(7,937)</u> |
| DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES | 25 | (308) | (333) | (2,892) |
| FUND BALANCE, JULY 1 | <u>1,223</u> | <u>1,223</u> | | <u>4,115</u> |
| FUND BALANCE, JUNE 30 | <u><u>\$ 1,248</u></u> | <u><u>\$ 915</u></u> | <u><u>\$ (333)</u></u> | <u><u>\$ 1,223</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|--|-----------------|------------------|--|------------------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| Interest earnings | \$ 15 | \$ 31 | \$ 16 | \$ 20 |
| Other revenue | <u>250</u> | <u>149</u> | <u>(101)</u> | <u>463</u> |
| TOTAL REVENUES | 265 | 180 | (85) | 483 |
| EXPENDITURES | | | | |
| Public safety | <u>1,000</u> | <u></u> | <u>1,000</u> | <u>15</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (735) | 180 | 915 | 468 |
| FUND BALANCE, JULY 1 | <u>10,362</u> | <u>10,362</u> | <u></u> | <u>9,894</u> |
| FUND BALANCE, JUNE 30 | <u>\$ 9,627</u> | <u>\$ 10,542</u> | <u>\$ 915</u> | <u>\$ 10,362</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|---|----------------------|----------------------|--|----------------------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| State grants | \$ 4,200 | \$ 3,905 | \$ (295) | \$ 3,829 |
| Interest earnings | <u>2</u> | <u>2</u> | <u></u> | <u>2</u> |
| TOTAL REVENUES | 4,202 | 3,907 | (295) | 3,831 |
| EXPENDITURES | | | | |
| Public safety | <u>4,200</u> | <u>3,905</u> | <u>295</u> | <u>3,829</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 2 | 2 | | 2 |
| FUND BALANCE, JULY 1 | <u>480</u> | <u>480</u> | <u></u> | <u>478</u> |
| FUND BALANCE, JUNE 30 | <u><u>\$ 482</u></u> | <u><u>\$ 482</u></u> | <u><u>\$</u></u> | <u><u>\$ 480</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|---|----------|----------|--|----------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| Interest and rentals | \$ 104 | \$ 8 | \$ (96) | \$ 6 |
| EXPENDITURES | | | | |
| Public safety | 100 | | 100 | |
| EXCESS OF REVENUES OVER EXPENDITURES | 4 | 8 | 4 | 6 |
| FUND BALANCE, JULY 1 | 2,799 | 2,799 | | 2,793 |
| FUND BALANCE, JUNE 30 | \$ 2,803 | \$ 2,807 | \$ 4 | \$ 2,799 |

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2014 |
|---|------------------|------------------|--|------------------|
| | BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| Federal grants | \$ 277,000 | \$ 74,818 | \$ (202,182) | \$ 8,699 |
| State grants | | 20,250 | 20,250 | |
| Other revenues | <u>160,000</u> | <u>20,547</u> | <u>(139,453)</u> | |
| TOTAL REVENUES | 437,000 | 115,615 | (321,385) | 8,699 |
| EXPENDITURES | | | | |
| Community development and enrichment | <u>417,000</u> | <u>108,325</u> | <u>308,675</u> | <u>4,138</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>20,000</u> | <u>7,290</u> | <u>(12,710)</u> | <u>4,561</u> |
| OTHER FINANCING USES | | | | |
| Operating transfers out | <u>(20,000)</u> | <u>(20,000)</u> | | <u>(20,000)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES | | (12,710) | (12,710) | (15,439) |
| FUND BALANCE, JULY 1 | <u>62,093</u> | <u>62,093</u> | | <u>77,532</u> |
| FUND BALANCE, JUNE 30 | <u>\$ 62,093</u> | <u>\$ 49,383</u> | <u>\$ (12,710)</u> | <u>\$ 62,093</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, 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, 2015

WITH COMPARATIVE TOTALS FOR JUNE 30, 2014

| | 2006 GENERAL OBLIGATION LIMITED TAX BONDS | 2007 GENERAL OBLIGATION LIMITED TAX BONDS | 2008 GENERAL OBLIGATION LIMITED TAX BONDS |
|---|---|---|---|
| ASSETS | | | |
| Cash | \$ 903 | \$ 24,540 | \$ 185 |
| Assessments receivable | | | |
| Accounts receivable | | | |
| Prepaid expenses | | | |
| Due from other funds | | | |
| | <hr/> | <hr/> | <hr/> |
| TOTAL ASSETS | \$ <u>903</u> | \$ <u>24,540</u> | \$ <u>185</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts payable | \$ | \$ | \$ |
| Due to other funds | | | |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LIABILITIES | <hr/> | <hr/> | <hr/> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Special assessments | | | |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCE | | | |
| Restricted for debt service | <hr/> 903 | <hr/> 24,540 | <hr/> 185 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | \$ <u>903</u> | \$ <u>24,540</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 | 2003 SPECIAL ASSESSMENT BONDS |
|--|---|---|---|--|
| \$ 6,504 | \$ 3,233,801 3,585,436 | \$ 1,207 | \$ 6,084 | \$ |
| | <u>116,857</u> | | | |
| <u>\$ 6,504</u> | <u>\$ 6,936,094</u> | <u>\$ 1,207</u> | <u>\$ 6,084</u> | <u>\$</u> |
| \$ | \$ | \$ | \$ | \$ |
| <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u> </u> | <u>3,585,436</u> | <u> </u> | <u> </u> | <u> </u> |
| <u>6,504</u> | <u>3,350,658</u> | <u>1,207</u> | <u>6,084</u> | <u> </u> |
| <u>\$ 6,504</u> | <u>\$ 6,936,094</u> | <u>\$ 1,207</u> | <u>\$ 6,084</u> | <u>\$</u> |

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS - Continued
JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR JUNE 30, 2014

| | 2006 SPECIAL ASSESSMENT BONDS | 2007 SPECIAL ASSESSMENT BONDS | 2008 SPECIAL ASSESSMENT BONDS |
|---|--|--|--|
| ASSETS | | | |
| Cash | \$ 11,004 | \$ 95,736 | \$ |
| Assessments receivable | 17,364 | 5,861 | |
| Accounts receivable | | | |
| Prepaid expenses | | | |
| Due from other funds | <u>6,860</u> | <u>242</u> | <u> </u> |
| TOTAL ASSETS | \$ <u>35,228</u> | \$ <u>101,839</u> | \$ <u> </u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts payable | \$ | \$ | \$ |
| Due to other funds | <u> </u> | <u> </u> | <u> </u> |
| TOTAL LIABILITIES | <u> </u> | <u> </u> | <u> </u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Special assessments | <u>17,364</u> | <u>5,861</u> | <u> </u> |
| FUND BALANCE | | | |
| Restricted for debt service | <u>17,864</u> | <u>95,978</u> | <u> </u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | \$ <u>35,228</u> | \$ <u>101,839</u> | \$ <u> </u> |

| 2008 SERIES A SPECIAL ASSESSMENT BONDS | 2010 SPECIAL ASSESSMENT BONDS | 2011 SPECIAL ASSESSMENT BONDS | 2005 EQUIPMENT FINANCING | 2008 EQUIPMENT FINANCING |
|---|--|--|--------------------------------|--------------------------------|
| \$ 30,773 | \$ 99,484 | \$ 148,663 | \$ 114 | \$ 13,869 |
| 13,378 | 71,057 | 147,932 | | |
| <u>598</u> | <u>2,056</u> | <u>2,642</u> | <u>114</u> | <u>13,869</u> |
| <u>\$ 44,749</u> | <u>\$ 172,597</u> | <u>\$ 299,237</u> | <u>\$ 114</u> | <u>\$ 13,869</u> |
| | | | | |
| \$ | \$ | \$ | \$ | \$ |
| <u>13,378</u> | <u>71,057</u> | <u>147,932</u> | | |
| <u>31,371</u> | <u>101,540</u> | <u>151,305</u> | <u>114</u> | <u>13,869</u> |
| <u>\$ 44,749</u> | <u>\$ 172,597</u> | <u>\$ 299,237</u> | <u>\$ 114</u> | <u>\$ 13,869</u> |

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS - Concluded
JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR JUNE 30, 2014

| | 2008 SERIES A EQUIPMENT FINANCING | 1999 BUILDING AUTHORITY BONDS | 2001 BUILDING AUTHORITY BONDS |
|---|---|--|--|
| ASSETS | | | |
| Cash | \$ 2 | \$ | \$ 3,268 |
| Assessments receivable | | | |
| Accounts receivable | | | |
| Prepaid expenses | | | |
| Due from other funds | | | |
| | <hr/> | <hr/> | <hr/> |
| TOTAL ASSETS | \$ <u>2</u> | \$ <u></u> | \$ <u>3,268</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts payable | \$ | \$ | \$ |
| Due to other funds | | | |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LIABILITIES | <hr/> | <hr/> | <hr/> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Special assessments | | | |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCE | | | |
| Restricted for debt service | <hr/> 2 | <hr/> | <hr/> 3,268 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | \$ <u>2</u> | \$ <u></u> | \$ <u>3,268</u> |

| TOTAL DEBT SERVICE 2015 | ELIMINATION OF MAJOR FUNDS | TOTAL NON-MAJOR DEBT SERVICE 2015 | TOTAL DEBT SERVICE 2014 |
|-------------------------------|----------------------------------|--|-------------------------------|
| \$ 3,676,137 | \$ (3,233,801) | \$ 442,336 | \$ 3,369,125 |
| 3,841,028 | (3,585,436) | 255,592 | 4,881,914 |
| | | | 1,538 |
| <u>129,255</u> | <u>(116,857)</u> | <u>12,398</u> | <u>347,469</u> |
| \$ <u><u>7,646,420</u></u> | \$ <u><u>(6,936,094)</u></u> | \$ <u><u>710,326</u></u> | \$ <u><u>8,600,046</u></u> |
| | | | |
| \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| _____ | _____ | _____ | _____ |
| <u>3,841,028</u> | <u>(3,585,436)</u> | <u>255,592</u> | <u>4,881,914</u> |
| <u>3,805,392</u> | <u>(3,350,658)</u> | <u>454,734</u> | <u>3,718,132</u> |
| \$ <u><u>7,646,420</u></u> | \$ <u><u>(6,936,094)</u></u> | \$ <u><u>710,326</u></u> | \$ <u><u>8,600,046</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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 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 | 2 | 43 | |
| Other revenues | <u> </u> | <u> </u> | <u> </u> |
| TOTAL REVENUES | <u> 2</u> | <u> 43</u> | <u> </u> |
| EXPENDITURES | | | |
| Debt Service | | | |
| Principal retirement | 60,000 | 10,000 | 340,000 |
| Interest and fiscal charges | 5,040 | 2,527 | 74,825 |
| Other | <u> </u> | <u> </u> | <u> </u> |
| TOTAL EXPENDITURES | <u> 65,040</u> | <u> 12,527</u> | <u> 414,825</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u> (65,038)</u> | <u> (12,484)</u> | <u> (414,825)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | 65,000 | 4,319 | 414,825 |
| Operating transfers out | <u> </u> | <u> </u> | <u> </u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u> 65,000</u> | <u> 4,319</u> | <u> 414,825</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | (38) | (8,165) | |
| FUND BALANCE, JULY 1 | <u> 941</u> | <u> 32,705</u> | <u> 185</u> |
| FUND BALANCE, JUNE 30 | <u> \$ 903</u> | <u> \$ 24,540</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 | 2003 SPECIAL ASSESSMENT BONDS |
|--|---|---|---|--|
| \$ 13 | \$ 1,193,260 4,983 | \$ 2 | \$ 35 62,654 | \$ |
| <u>13</u> | <u>1,198,243</u> | <u>2</u> | <u>62,689</u> | |
| 15,000 2,469 | 670,000 113,635 | 20,000 5,170 | 120,000 18,473 | |
| <u>17,469</u> | <u>783,635</u> | <u>25,170</u> | <u>138,473</u> | |
| <u>(17,456)</u> | <u>414,608</u> | <u>(25,168)</u> | <u>(75,784)</u> | |
| 15,293 | 137,820 (414,825) | 25,169 | 76,577 | |
| <u>15,293</u> | <u>(277,005)</u> | <u>25,169</u> | <u>76,577</u> | |
| (2,163) | 137,603 | 1 | 793 | |
| <u>8,667</u> | <u>3,213,055</u> | <u>1,206</u> | <u>5,291</u> | |
| \$ <u><u>6,504</u></u> | \$ <u><u>3,350,658</u></u> | \$ <u><u>1,207</u></u> | \$ <u><u>6,084</u></u> | \$ <u><u></u></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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 2006 SPECIAL ASSESSMENT BONDS | 2007 SPECIAL ASSESSMENT BONDS | 2008 SPECIAL ASSESSMENT BONDS |
|---|--|--|--|
| REVENUES | | | |
| Taxes and special assessments | \$ 21,148 | \$ 5,588 | \$ |
| Interest earnings | (320) | 160 | |
| Other revenues | <u> </u> | <u> </u> | <u> </u> |
| TOTAL REVENUES | <u>20,828</u> | <u>5,748</u> | <u> </u> |
| EXPENDITURES | | | |
| Debt Service | | | |
| Principal retirement | 30,000 | 20,000 | |
| Interest and fiscal charges | 2,670 | 3,318 | |
| Other | <u> </u> | <u> </u> | <u> </u> |
| TOTAL EXPENDITURES | <u>32,670</u> | <u>23,318</u> | <u> </u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(11,842)</u> | <u>(17,570)</u> | <u> </u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | | | |
| Operating transfers out | <u> </u> | <u> </u> | <u> </u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u> </u> | <u> </u> | <u> </u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | <u>(11,842)</u> | <u>(17,570)</u> | <u> </u> |
| FUND BALANCE, JULY 1 | <u>29,706</u> | <u>113,548</u> | <u> </u> |
| FUND BALANCE, JUNE 30 | <u>\$ 17,864</u> | <u>\$ 95,978</u> | <u>\$</u> |

| 2008 SERIES A SPECIAL ASSESSMENT BONDS | 2010 SPECIAL ASSESSMENT BONDS | 2011 SPECIAL ASSESSMENT BONDS | 2005 EQUIPMENT FINANCING | 2008 EQUIPMENT FINANCING |
|---|--|--|--------------------------------|--------------------------------|
| \$ 6,563 | \$ 37,991 | \$ 47,057 | | \$ |
| 51 | 160 | 262 | | 7 |
| <u> </u> | <u> </u> | <u> </u> | <u>14,319</u> | <u>171,646</u> |
| <u>6,614</u> | <u>38,151</u> | <u>47,319</u> | <u>14,319</u> | <u>171,653</u> |
| 10,000 | 40,000 | 35,000 | 11,827 | 152,663 |
| 1,383 | 8,400 | 15,425 | 2,492 | 25,733 |
| <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>11,383</u> | <u>48,400</u> | <u>50,425</u> | <u>14,319</u> | <u>178,396</u> |
| <u>(4,769)</u> | <u>(10,249)</u> | <u>(3,106)</u> | <u> </u> | <u>(6,743)</u> |
| <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u>16,761</u> |
| <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u>16,761</u> |
| (4,769) | (10,249) | (3,106) | | 10,018 |
| <u>36,140</u> | <u>111,789</u> | <u>154,411</u> | <u>114</u> | <u>3,851</u> |
| \$ <u><u>31,371</u></u> | \$ <u><u>101,540</u></u> | \$ <u><u>151,305</u></u> | \$ <u><u>114</u></u> | \$ <u><u>13,869</u></u> |

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
DEBT SERVICE FUNDS - Concluded
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 2008 SERIES A EQUIPMENT FINANCING | 1999 BUILDING AUTHORITY BONDS | 2001 BUILDING AUTHORITY BONDS |
|---|---|--|--|
| REVENUES | | | |
| Taxes and special assessments | \$ | \$ | \$ |
| Interest earnings | | | 9 |
| Other revenues | <u> </u> | <u> </u> | <u> </u> |
| TOTAL REVENUES | <u> </u> | <u> </u> | <u> 9</u> |
| EXPENDITURES | | | |
| Debt Service | | | |
| Principal retirement | 161,985 | | 145,000 |
| Interest and fiscal charges | 10,202 | | 14,328 |
| Other | <u> </u> | <u> </u> | <u> </u> |
| TOTAL EXPENDITURES | <u> 172,187</u> | <u> </u> | <u> 159,328</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u> (172,187)</u> | <u> </u> | <u> (159,319)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | 172,187 | | 156,066 |
| Operating transfers out | <u> </u> | <u> </u> | <u> </u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u> 172,187</u> | <u> </u> | <u> 156,066</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | | | (3,253) |
| FUND BALANCE, JULY 1 | <u> 2</u> | <u> </u> | <u> 6,521</u> |
| FUND BALANCE, JUNE 30 | <u> 2</u> | <u> </u> | <u> 3,268</u> |

| TOTAL DEBT SERVICE 2015 | ELIMINATION OF MAJOR FUNDS | TOTAL NON-MAJOR DEBT SERVICE 2015 | TOTAL DEBT SERVICE 2014 |
|-------------------------------|----------------------------------|--|-------------------------------|
| \$ 1,311,607 | \$ (1,193,260) | \$ 118,347 | \$ 2,744,466 |
| 5,407 | (4,983) | 424 | 3,724 |
| <u>248,619</u> | <u> </u> | <u>248,619</u> | <u>186,602</u> |
| <u>1,565,633</u> | <u>(1,198,243)</u> | <u>367,390</u> | <u>2,934,792</u> |
| 1,841,475 | (670,000) | 1,171,475 | 1,687,327 |
| 306,090 | (113,635) | 192,455 | 355,947 |
| <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>2,147,565</u> | <u>(783,635)</u> | <u>1,363,930</u> | <u>2,043,274</u> |
| <u>(581,932)</u> | <u>(414,608)</u> | <u>(996,540)</u> | <u>891,518</u> |
| 1,084,017 | (137,820) | 946,197 | 998,224 |
| <u>(414,825)</u> | <u>414,825</u> | <u> </u> | <u>(545,534)</u> |
| <u>669,192</u> | <u>277,005</u> | <u>946,197</u> | <u>452,690</u> |
| 87,260 | (137,603) | (50,343) | 1,344,208 |
| <u>3,718,132</u> | <u>(3,213,055)</u> | <u>505,077</u> | <u>2,373,924</u> |
| <u>\$ 3,805,392</u> | <u>\$ (3,350,658)</u> | <u>\$ 454,734</u> | <u>\$ 3,718,132</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, 2015

WITH COMPARATIVE TOTALS FOR JUNE 30, 2014

| | LAND ACQUISITION | INFRA- STRUCTURE | 2015 GENERAL OBLIGATION CONSTRUCTION |
|---|-----------------------------|-----------------------------|---|
| ASSETS | | | |
| Cash | \$ 744,486 | \$ 65,361 | \$ 47,105 |
| Investments | 469,179 | | |
| Accounts receivable | | 60,928 | 2,327,500 |
| Special assessment receivable | | | |
| Deposits | | | |
| Due from other funds | | | |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | \$ <u>1,213,665</u> | \$ <u>126,289</u> | \$ <u>2,374,605</u> |
| LIABILITIES AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts payable | \$ | \$ 31,156 | \$ 84,749 |
| Deferred revenue | | | |
| Due to other funds | <u>2,148,015</u> | <u> </u> | <u>2,258,856</u> |
| TOTAL LIABILITIES | <u>2,148,015</u> | <u>31,156</u> | <u>2,343,605</u> |
| FUND BALANCE | | | |
| Assigned | <u>(934,350)</u> | <u>95,133</u> | <u>31,000</u> |
| TOTAL LIABILITIES AND FUND BALANCE | \$ <u>1,213,665</u> | \$ <u>126,289</u> | \$ <u>2,374,605</u> |

| TOTAL CAPITAL PROJECTS 2015 | ELIMINATION OF MAJOR FUNDS | TOTAL NON-MAJOR CAPITAL PROJECTS 2015 | TOTAL CAPITAL PROJECTS 2014 |
|--------------------------------------|----------------------------------|--|--------------------------------------|
| \$ 856,952 | \$ (791,591) | \$ 65,361 | \$ 583,130 |
| 469,179 | (469,179) | | |
| 2,388,428 | (2,327,500) | 60,928 | 50,233 |
| <u>3,714,559</u> | <u>(3,588,270)</u> | <u>126,289</u> | <u>633,363</u> |
| <u>\$ 3,714,559</u> | <u>\$ (3,588,270)</u> | <u>\$ 126,289</u> | <u>\$ 633,363</u> |
| \$ 115,905 | \$ (84,749) | \$ 31,156 | \$ 703 |
| <u>4,406,871</u> | <u>(4,406,871)</u> | | <u>1,305,870</u> |
| <u>4,522,776</u> | <u>(4,491,620)</u> | <u>31,156</u> | <u>1,306,573</u> |
| <u>(808,217)</u> | <u>903,350</u> | <u>95,133</u> | <u>(673,210)</u> |
| <u>\$ 3,714,559</u> | <u>\$ (3,588,270)</u> | <u>\$ 126,289</u> | <u>\$ 633,363</u> |

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | LAND ACQUISITION | INFRA- STRUCTURE | 2015 GENERAL OBLIGATION CONSTRUCTION |
|--|---------------------|---------------------|---|
| REVENUES | | | |
| Interest | \$ 3,054 | \$ 354 | \$ |
| Other | <u>236,958</u> | <u>6,000</u> | <u></u> |
| TOTAL REVENUES | <u>240,012</u> | <u>6,354</u> | <u></u> |
| EXPENDITURES | | | |
| Capital outlay | 1,171,597 | 72,666 | |
| Other | <u>300</u> | <u>10,000</u> | <u>85,144</u> |
| TOTAL EXPENDITURES | <u>1,171,897</u> | <u>82,666</u> | <u>85,144</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(931,885)</u> | <u>(76,312)</u> | <u>(85,144)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Bond proceeds | | | 2,375,000 |
| Operating transfers in | 882,145 | 112,980 | |
| Operating transfers out | <u>(64,046)</u> | <u>(88,889)</u> | <u>(2,258,856)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>818,099</u> | <u>24,091</u> | <u>116,144</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES OTHER USES | (113,786) | (52,221) | 31,000 |
| FUND BALANCE, JULY 1 | <u>(820,564)</u> | <u>147,354</u> | <u></u> |
| FUND BALANCE, JUNE 30 | <u>\$ (934,350)</u> | <u>\$ 95,133</u> | <u>\$ 31,000</u> |

| TOTAL CAPITAL PROJECTS 2015 | ELIMINATION OF MAJOR FUNDS | TOTAL NON-MAJOR CAPITAL PROJECTS 2015 | TOTAL CAPITAL PROJECTS 2014 |
|--------------------------------------|----------------------------------|--|--------------------------------------|
| \$ 3,408 | \$ (3,054) | \$ 354 | \$ 1,750 |
| <u>242,958</u> | <u>(236,958)</u> | <u>6,000</u> | <u>234,797</u> |
| <u>246,366</u> | <u>(240,012)</u> | <u>6,354</u> | <u>236,547</u> |
| 1,244,263 | (1,171,597) | 72,666 | 2,494,219 |
| <u>95,444</u> | <u>(85,444)</u> | <u>10,000</u> | <u>75,267</u> |
| <u>1,339,707</u> | <u>(1,257,041)</u> | <u>82,666</u> | <u>2,569,486</u> |
| <u>(1,093,341)</u> | <u>1,017,029</u> | <u>(76,312)</u> | <u>(2,332,939)</u> |
| 2,375,000 | (2,375,000) | | 900,000 |
| 995,125 | (882,145) | 112,980 | 414,042 |
| <u>(2,411,791)</u> | <u>2,322,902</u> | <u>(88,889)</u> | <u>(963,100)</u> |
| <u>958,334</u> | <u>(934,243)</u> | <u>24,091</u> | <u>350,942</u> |
| (135,007) | 82,786 | (52,221) | (1,981,997) |
| <u>(673,210)</u> | <u>820,564</u> | <u>147,354</u> | <u>1,308,787</u> |
| <u>\$ (808,217)</u> | <u>\$ 903,350</u> | <u>\$ 95,133</u> | <u>\$ (673,210)</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, 2015

WITH COMPARATIVE TOTALS FOR JUNE 30, 2014

| | MOTOR POOL | INFORMATION TECHNOLOGY |
|--|---------------------|---------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 402,486 | \$ 280,438 |
| Investments | 253,650 | |
| Inventory | 39,014 | |
| Accounts receivable | 7,384 | |
| | <u>702,534</u> | <u>280,438</u> |
| TOTAL CURRENT ASSETS | <u>702,534</u> | <u>280,438</u> |
| FIXED ASSETS | | |
| Land and improvements | 22,328 | |
| Vehicles and equipment | 2,979,492 | 88,934 |
| Accumulated depreciation | (2,274,134) | (63,046) |
| | <u>727,686</u> | <u>25,888</u> |
| NET FIXED ASSETS | <u>727,686</u> | <u>25,888</u> |
| TOTAL ASSETS | <u>1,430,220</u> | <u>306,326</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Prepaid expenses | 4,936 | |
| | <u>4,936</u> | <u> </u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 1,435,156</u> | <u>\$ 306,326</u> |
| LIABILITIES AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 89,634 | \$ 8,582 |
| Accrued expenses | 7,197 | |
| | <u>96,831</u> | <u>8,582</u> |
| TOTAL CURRENT LIABILITIES | <u>96,831</u> | <u>8,582</u> |
| NET POSITION | | |
| Net position | 1,299,311 | 297,744 |
| Reserved for inventory | 39,014 | |
| | <u>1,338,325</u> | <u>297,744</u> |
| TOTAL NET POSITION | <u>1,338,325</u> | <u>297,744</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 1,435,156</u> | <u>\$ 306,326</u> |

TELEPHONE
COMMUNICATION

2015

TOTALS

2014

| | | |
|-------------------|---------------------|---------------------|
| \$ 114,213 | \$ 797,137 | \$ 1,072,629 |
| | 253,650 | |
| | 39,014 | 38,700 |
| | 7,384 | |
| <u>114,213</u> | <u>1,097,185</u> | <u>1,111,329</u> |
| | 22,328 | 22,328 |
| | 3,068,426 | 2,829,947 |
| | (2,337,180) | (2,263,204) |
| | <u>753,574</u> | <u>589,071</u> |
| <u>114,213</u> | <u>1,850,759</u> | <u>1,700,400</u> |
| | 4,936 | 5,125 |
| <u>\$ 114,213</u> | <u>\$ 1,855,695</u> | <u>\$ 1,705,525</u> |
| | | |
| \$ 120 | \$ 98,336 | \$ 46,421 |
| | 7,197 | 6,484 |
| <u>120</u> | <u>105,533</u> | <u>52,905</u> |
| 114,093 | 1,711,148 | 1,613,920 |
| | 39,014 | 38,700 |
| <u>114,093</u> | <u>1,750,162</u> | <u>1,652,620</u> |
| <u>\$ 114,213</u> | <u>\$ 1,855,695</u> | <u>\$ 1,705,525</u> |

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | MOTOR POOL | INFORMATION TECHNOLOGY |
|--|----------------------------|---------------------------|
| OPERATING REVENUES | | |
| Equipment rentals | \$ <u>820,679</u> | \$ <u>216,713</u> |
| OPERATING EXPENSES | | |
| Salaries and wages | 104,929 | |
| Fringe benefits | 84,339 | |
| Office supplies | 778 | |
| Operating supplies | 235,902 | |
| Administrative fees | 18,980 | |
| Professional and contractual services | 9,821 | |
| Insurance and bonds | 66,761 | 1,955 |
| Public utilities | 12,594 | |
| Repairs and maintenance | 4,051 | 96,740 |
| Rental | 5,633 | |
| Miscellaneous | 1,511 | |
| Depreciation | 176,247 | 6,313 |
| Capital outlay | | 22,365 |
| Conferences | <u>535</u> | |
| TOTAL OPERATING EXPENSES | <u>722,081</u> | <u>127,373</u> |
| OPERATING INCOME | <u>98,598</u> | <u>89,340</u> |
| NONOPERATING REVENUE | | |
| Interest income | 1,740 | 770 |
| Gain on sale of fixed assets | <u>10,268</u> | |
| TOTAL NONOPERATING REVENUE | <u>12,008</u> | <u>770</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) | 35,606 | 5,110 |
| NET POSITION, JULY 1 | <u>1,302,719</u> | <u>292,634</u> |
| NET POSITION, JUNE 30 | <u>\$ <u>1,338,325</u></u> | <u>\$ <u>297,744</u></u> |

TELEPHONE
COMMUNICATION

2015

TOTALS

2014

| | | |
|--------------------------|----------------------------|----------------------------|
| \$ <u>90,375</u> | \$ <u>1,127,767</u> | \$ <u>1,120,550</u> |
| | 104,929 | 111,289 |
| | 84,339 | 109,335 |
| | 778 | 913 |
| | 235,902 | 391,931 |
| | 18,980 | 17,393 |
| | 9,821 | 11,497 |
| 476 | 69,192 | 40,865 |
| | 12,594 | 9,308 |
| 15,104 | 115,895 | 11,246 |
| | 5,633 | 4,050 |
| | 1,511 | 9,105 |
| | 182,560 | 187,020 |
| 3,215 | 25,580 | 22,524 |
| <u> </u> | <u>535</u> | <u>1,112</u> |
| <u>18,795</u> | <u>868,249</u> | <u>927,588</u> |
| <u>71,580</u> | <u>259,518</u> | <u>192,962</u> |
| | | |
| 246 | 2,756 | 1,996 |
| <u> </u> | <u>10,268</u> | <u>6,132</u> |
| <u>246</u> | <u>13,024</u> | <u>8,128</u> |
| | | |
| <u>(15,000)</u> | <u>10,000</u> | <u>(252,622)</u> |
| <u>(15,000)</u> | <u>(185,000)</u> | <u>(252,622)</u> |
| | | |
| 56,826 | 97,542 | (51,532) |
| <u>57,267</u> | <u>1,652,620</u> | <u>1,704,152</u> |
| \$ <u><u>114,093</u></u> | \$ <u><u>1,750,162</u></u> | \$ <u><u>1,652,620</u></u> |

CITY OF LAPEER, MICHIGAN
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | MOTOR POOL | INFORMATION TECHNOLOGY |
|--|--------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from interfund charges | \$ 813,295 | \$ 216,713 |
| Cash payment for goods and services | (298,167) | (136,701) |
| Cash payment for employees | <u>(188,555)</u> | <u> </u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>326,573</u> | <u>80,012</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 | (341,882) | (10,646) |
| Sale of capital assets | 26,002 | |
| Increase in investments | <u>(253,650)</u> | <u> </u> |
| NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(569,530)</u> | <u>(10,646)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | <u>1,740</u> | <u>770</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (316,217) | (14,864) |
| CASH AND CASH EQUIVALENTS, JULY 1 | <u>718,703</u> | <u>295,302</u> |
| CASH AND CASH EQUIVALENTS, JUNE 30 | <u><u>\$ 402,486</u></u> | <u><u>\$ 280,438</u></u> |

| TELEPHONE COMMUNICATION | 2015 | TOTAL | 2014 |
|----------------------------|-------------------|-------|---------------------|
| \$ 90,375 | \$ 1,120,383 | | \$ 1,120,550 |
| (20,032) | (454,900) | | (523,724) |
| <hr/> | <hr/> | | <hr/> |
| 70,343 | 476,928 | | 377,289 |
| <hr/> | <hr/> | | <hr/> |
| (15,000) | 10,000 | | (252,622) |
| <hr/> | <hr/> | | <hr/> |
| (15,000) | (175,000) | | (252,622) |
| <hr/> | <hr/> | | <hr/> |
| | (352,528) | | (141,986) |
| | 26,002 | | 15,400 |
| <hr/> | <hr/> | | <hr/> |
| | (580,176) | | (126,586) |
| <hr/> | <hr/> | | <hr/> |
| 246 | 2,756 | | 1,996 |
| <hr/> | <hr/> | | <hr/> |
| 55,589 | (275,492) | | 77 |
| <hr/> | <hr/> | | <hr/> |
| 58,624 | 1,072,629 | | 1,072,552 |
| <hr/> | <hr/> | | <hr/> |
| \$ <u>114,213</u> | \$ <u>797,137</u> | | \$ <u>1,072,629</u> |

CITY OF LAPEER, MICHIGAN
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS - Concluded
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | MOTOR POOL | INFORMATION TECHNOLOGY |
|--|---------------------------------|--------------------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating income | \$ <u>98,598</u> | \$ <u>89,340</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 176,247 | 6,313 |
| Gain on sale of assets | (10,268) | |
| (Increase) decrease in inventory | (314) | |
| (Increase) decrease in accounts receivable | (7,384) | |
| (Increase) decrease in prepaid expenses | 189 | |
| Increase (decrease) in accounts payable | 68,792 | (15,641) |
| Increase (decrease) in accrued expenses | <u>713</u> | <u> </u> |
| Total adjustments | <u>227,975</u> | <u>(9,328)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ <u><u>326,573</u></u> | \$ <u><u>80,012</u></u> |

| TELEPHONE COMMUNICATION | 2015 | TOTAL | 2014 |
|----------------------------|--------------------------|-------|--------------------------|
| \$ <u>71,580</u> | \$ <u>259,518</u> | | \$ <u>192,962</u> |
| | 182,560 | | 187,020 |
| | (10,268) | | (6,132) |
| | (314) | | (2,820) |
| | (7,384) | | |
| | 189 | | (196) |
| (1,237) | 51,914 | | 5,368 |
| <u> </u> | <u>713</u> | | <u>1,087</u> |
| <u>(1,237)</u> | <u>217,410</u> | | <u>184,327</u> |
| \$ <u><u>70,343</u></u> | \$ <u><u>476,928</u></u> | | \$ <u><u>377,289</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, 2015

| | CASH | INVESTMENT | STATEMENT OF CASH FLOWS TOTAL |
|------------------------------------|--------------------------|-----------------------------|-------------------------------------|
| CASH AND CASH EQUIVALENTS, JULY 1 | \$ 1,072,629 | \$ | \$ 1,072,629 |
| NET INCREASE | <u>(275,492)</u> | <u> </u> | <u>(275,492)</u> |
| CASH AND CASH EQUIVALENTS, JUNE 30 | <u><u>\$ 797,137</u></u> | <u><u>\$</u></u> | <u><u>\$ 797,137</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, 2015
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2014

| | 2015 | 2014 |
|---|-----------------|-----------------|
| ASSETS | | |
| Cash | \$ <u>8,658</u> | \$ <u>7,998</u> |
| | | |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts payable | \$ _____ | \$ _____ |
| | | |
| FUND BALANCE | | |
| Committed for cemetery perpetual care | 8,317 | 7,657 |
| Unreserved | <u>341</u> | <u>341</u> |
| TOTAL FUND BALANCE | <u>8,658</u> | <u>7,998</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 8,658</u> | <u>\$ 7,998</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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | 2014 |
|---|------------------------|------------------------|
| REVENUES | | |
| Donations and rights | \$ 660 | \$ 565 |
| Interest and rent | <u>23</u> | <u>16</u> |
| TOTAL REVENUES | <u>683</u> | <u>581</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 683 | 581 |
| OTHER FINANCING USES | | |
| Operating transfers out | <u>(23)</u> | <u>(16)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES | 660 | 565 |
| FUND BALANCE, JULY 1 | <u>7,998</u> | <u>7,433</u> |
| FUND BALANCE, JUNE 30 | <u><u>\$ 8,658</u></u> | <u><u>\$ 7,998</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, 2015

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

| | |
|---|------------------|
| Amount available in Debt Service Funds | \$ 3,805,392 |
| Amount to be provided for payment of long-term debt | <u>5,344,099</u> |

| | |
|-------|---------------------|
| TOTAL | <u>\$ 9,149,491</u> |
|-------|---------------------|

GENERAL LONG-TERM DEBT PAYABLE

| | |
|--|----------------|
| 2009 General Obligation Tax Bonds | \$ 2,475,000 |
| 2008 Series A General Obligation Tax Bonds | 55,000 |
| 2008 Series A Special Assessment Bonds | 30,000 |
| 2008 General Obligation Tax Bonds | 1,380,000 |
| 2006 General Obligation Tax Bond | 60,000 |
| 2006 Special Assessment Bonds | 30,000 |
| 2007 Special Assessment Bonds | 55,000 |
| Accumulated Compensated Absences | 526,821 |
| 2011 Special Assessment Bonds | 260,000 |
| 2007 General Obligation Bonds | 40,000 |
| 2010 General Obligation Tax Bonds | 110,000 |
| 2010 Special Assessment Bonds | 185,000 |
| 2001 Building Authority Bonds | 155,000 |
| 2015 General Obligation Construction | 2,375,000 |
| Energy Savings Contract | 580,630 |
| Abstract Building | 52,040 |
| 2013 General Obligation Construction | <u>780,000</u> |

| | |
|-------|---------------------|
| TOTAL | <u>\$ 9,149,491</u> |
|-------|---------------------|

CAPITAL ASSETS

CITY OF LAPEER, MICHIGAN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR JUNE 30, 2014

| | 2015 | 2014 |
|-----------------------------------|--------------------------|--------------------------|
| General Fixed Assets | | |
| Land | \$ 25,467,543 | \$ 24,298,029 |
| Construction in progress | 327,304 | 561,572 |
| Buildings | 5,815,993 | 5,815,993 |
| Improvements other than buildings | 5,728,928 | 5,599,190 |
| Machinery and equipment | 3,806,850 | 3,804,945 |
| Infrastructure | <u>43,322,403</u> | <u>42,119,048</u> |
| TOTAL | <u>\$ 84,469,021</u> | <u>\$ 82,198,777</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, 2015

| | GENERAL FIXED ASSETS JULY 1, 2014 | ADDITIONS | DELETIONS | GENERAL FIXED ASSETS JUNE 30, 2015 |
|-------------------------------------|--|--------------|-----------|---|
| General Government | | | | |
| City Hall | \$ 1,031,562 | \$ 1,323 | | \$ 1,032,885 |
| Accounting | 103,196 | | | 103,196 |
| Assessor | 14,766 | | | 14,766 |
| 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 | 6,866,359 | 1,171,598 | | 8,037,957 |
| Train depot | 358,952 | | | 358,952 |
| Cemetery | 277,521 | | 5,000 | 272,521 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total General Government | 8,955,191 | 1,172,921 | 5,000 | 10,123,112 |
| Public Safety | | | | |
| Police | 1,623,857 | 8,014 | 3,555 | 1,628,316 |
| Fire | 4,620,742 | | 3,555 | 4,617,187 |
| Parking | 768,039 | | | 768,039 |
| Housing rehabilitation | 1,381,414 | | | 1,381,414 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Public Safety | 8,394,052 | 8,014 | 7,110 | 8,394,956 |
| Parks and Recreation | | | | |
| Parks | 3,643,932 | 13,561 | 2,085 | 3,655,408 |
| Recreation | 3,170 | | | 3,170 |
| Trailer park | 203,811 | | | 203,811 |
| Community center | 896,008 | | | 896,008 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Parks and Recreation | 4,746,921 | 13,561 | 2,085 | 4,758,397 |
| Public Works | 60,102,613 | 1,089,943 | | 61,192,556 |
| | <hr/> | <hr/> | | <hr/> |
| Total General Fixed Assets | \$ 82,198,777 | \$ 2,284,439 | \$ 14,195 | \$ 84,469,021 |
| Component Units | | | | |
| Tax Increment Finance Authority | \$ 6,652,361 | | | \$ 6,652,361 |
| Local Development Finance Authority | 206,774 | | | 206,774 |
| Downtown Development Authority | 717,282 | 115,780 | | 833,062 |
| | <hr/> | <hr/> | | <hr/> |
| Total Component Units | \$ 7,576,417 | \$ 115,780 | | \$ 7,692,197 |
| | <hr/> | <hr/> | | <hr/> |

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, 2014

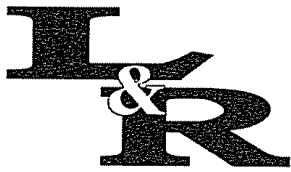
| | LAND | BUILDINGS | IMPROVEMENTS OTHER THAN BUILDINGS |
|-------------------------------------|---------------|--------------|---|
| General Government | | | |
| City Hall | \$ 1,200 | \$ 952,794 | \$ 78,891 |
| Accounting | | | |
| Assessor | | | |
| City Commission | | 200,079 | |
| City Manager | | | |
| Geographic information systems | | | |
| Information technology | | | |
| Income tax | | | |
| Planning | 7,541,106 | 460,886 | 32,625 |
| Train depot | 42,857 | 37,161 | 271,144 |
| Cemetery | 105,469 | 26,990 | 135,062 |
| | <hr/> | <hr/> | <hr/> |
| Total General Government | 7,690,632 | 1,677,910 | 517,722 |
| | <hr/> | <hr/> | <hr/> |
| Public Safety | | | |
| Police | 448,263 | 1,017,997 | |
| Fire | 448,263 | 1,017,997 | |
| Parking | 768,039 | | |
| Housing rehabilitation | 1,324,486 | 50,233 | |
| | <hr/> | <hr/> | <hr/> |
| Total Public Safety | 2,989,051 | 2,086,227 | |
| | <hr/> | <hr/> | <hr/> |
| Parks and Recreation | | | |
| Parks | 857,759 | 322,036 | 2,443,924 |
| Recreation | | | |
| Trailer park | | | 203,811 |
| Community center | 208,262 | 174,044 | 356,504 |
| | <hr/> | <hr/> | <hr/> |
| Total Parks and Recreation | 1,066,021 | 496,080 | 3,004,239 |
| | <hr/> | <hr/> | <hr/> |
| Public Works | 13,721,839 | 1,555,776 | 2,206,967 |
| | <hr/> | <hr/> | <hr/> |
| Total General Fixed Assets | \$ 25,467,543 | \$ 5,815,993 | \$ 5,728,928 |
| | <hr/> | <hr/> | <hr/> |
| Component Units | | | |
| Tax Increment Finance Authority | \$ 14,400 | \$ 6,637,961 | \$ |
| Local Development Finance Authority | 206,774 | | |
| Downtown Development Authority | 154,000 | 563,282 | |
| | <hr/> | <hr/> | <hr/> |
| Total Component Units | \$ 375,174 | \$ 7,201,243 | \$ |
| | <hr/> | <hr/> | <hr/> |

| MACHINERY AND EQUIPMENT | CONSTRUCTION IN PROGRESS | INFRASTRUCTURE | TOTAL |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| \$ | \$ | \$ | \$ 1,032,885 |
| 103,196 | | | 103,196 |
| 14,766 | | | 14,766 |
| 26,702 | | | 200,079 |
| 7,897 | | | 26,702 |
| 66,500 | | | 7,897 |
| 1,657 | | | 66,500 |
| 3,340 | | | 1,657 |
| 7,790 | | | 8,037,957 |
| 5,000 | | | 358,952 |
| <u>236,848</u> | | | <u>272,521</u> |
| | | | 10,123,112 |
| 104,683 | | 57,373 | 1,628,316 |
| 3,093,554 | | 57,373 | 4,617,187 |
| 6,695 | | | 768,039 |
| <u>3,204,932</u> | | <u>114,746</u> | <u>1,381,414</u> |
| | | | 8,394,956 |
| 31,689 | | | 3,655,408 |
| 3,170 | | | 3,170 |
| 157,198 | | | 203,811 |
| <u>192,057</u> | | | <u>896,008</u> |
| | | | 4,758,397 |
| 173,013 | 327,304 | 43,207,657 | 61,192,556 |
| <u><u>\$ 3,806,850</u></u> | <u><u>\$ 327,304</u></u> | <u><u>\$ 43,322,403</u></u> | <u><u>\$ 84,469,021</u></u> |
| \$ | \$ | \$ | \$ 6,652,361 |
| | 115,780 | | 206,774 |
| | <u>115,780</u> | | <u>833,062</u> |
| <u><u>\$</u></u> | <u><u>\$</u></u> | <u><u>\$</u></u> | <u><u>\$ 7,692,197</u></u> |

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SINGLE AUDIT

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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*

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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, 2015, 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 28, 2015.

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*.

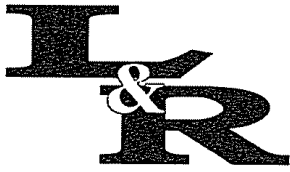
Purpose of this Report

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.



Certified Public Accountants

East Lansing, Michigan
December 28, 2015



Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Commissioner
City of Lapeer
Lapeer, Michigan

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Report on Compliance for Each Major Federal Program

We have audited City of Lapeer's compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of City of Lapeer's major federal programs for the year ended June 30, 2015. City of Lapeer's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Lapeer's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Lapeer's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Lapeer complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of City of Lapeer is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Lapeer's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Lapeer's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

East Lansing, Michigan
December 28, 2015

CITY OF LAPEER, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section I – Summary of Auditors’ Results

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness identified? Yes No

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

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

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

Identification of major programs:

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

Dollar threshold for distinguish between Type A and Type B Programs? \$300,000

Auditee qualified as low-risk auditee? Yes No

Section II – Findings and Questioned Costs

Findings – Financial Statement Audit: NONE

Section III – Federal Award Findings and Questioned Costs

MAJOR FEDERAL AWARDS PROGRAM AUDIT

NONE

CITY OF LAPEER, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE | FEDERAL CFDA NUMBER | AGENCY OR PASS-THROUGH NUMBER | EXPENDITURES |
|---|---------------------------|-------------------------------------|--------------------------|
| U.S. DEPARTMENT OF JUSTICE Passed through Michigan Department of Corrections Byrne Memorial | 16.738 | | \$ <u>29,280</u> |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed through Michigan State Strategic Fund CDBG | 14.228 | MSC 213010-DIG | <u>417,783</u> |
| U.S. DEPARTMENT OF COMMUNITY DEVELOPMENT Passed through Michigan State Housing Development Authority CDBG | 14.228 | M-2011-0292 | <u>90,099</u> |
| | | | \$ <u><u>537,162</u></u> |

See accompanying notes to schedule of expenditures of federal awards.

CITY OF LAPEER, MICHIGAN
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

1. **PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT**

None.

2. **PRIOR YEAR FINDINGS AND QUESTIONED COSTS -- MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.

CITY OF LAPEER, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The City of Lapeer, Michigan under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Financial Statements

Governmental Grants

| | |
|---|------------------|
| Federal Drug Grant | \$ 29,280 |
| MSHDA Section 8 | 145,173 |
| School Liaison Officer | 31,000 |
| Community Development Block Grant | 535,577 |
| Michigan Gas Weight and Trunkline Maintenance | 755,610 |
| Justice Training Funds | 3,905 |
| Housing Resource | 95,068 |
| State Revenue Sharing | 735,714 |
| Liquor Licenses | <u>275</u> |
| | <u>2,331,602</u> |

Reconciling Items

State portion of grants and contracts not subject to Single Audit

| | |
|---|-------------------|
| MSHDA Section 8 | 145,173 |
| School Liaison Officer | 31,000 |
| Housing Resources | 4,969 |
| Michigan Gas Weight and Trunkline Maintenance | 755,610 |
| Justice Training Funds | 3,905 |
| State Revenue Sharing | 735,714 |
| Liquor Licenses | 275 |
| Community Development Block Grant | <u>117,794</u> |
| | <u>1,794,440</u> |
| | <u>\$ 537,162</u> |