

BROWNFIELD REDEVELOPMENT AUTHORITY

OF THE CITY OF LAPEER, MICHIGAN

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2017

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	7
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE	8
NOTES TO FINANCIAL STATEMENTS	9-12
REQUIRED SUPPLEMENTARY INFORMATION	
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL OPERATIONS	14
OTHER SUPPLEMENTARY INFORMATION	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS	17-18



Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Members of the Brownfield Redevelopment
Authority of the City of Lapeer
Lapeer, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the **Brownfield Redevelopment Authority of the City of Lapeer, Michigan** as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Brownfield Redevelopment Authority of the City of Lapeer, Michigan as of June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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



Certified Public Accountants

December 19, 2017
East Lansing, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the Brownfield Redevelopment Authority of the City of Lapeer's financial performance provides an overview of the Brownfield Redevelopment Authority's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Brownfield Redevelopment Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Reid Corporation Project was approved by the Brownfield Redevelopment Authority on October 26, 2002 in the amount of \$60,150. The 2003 Tax Year was the first year of captured property taxes which may be utilized to reimburse the Reid Corporation, over a maximum of thirty years, for approved expenses in remediation of their environmentally distressed property. The actual expenses incurred on the project which will be reimbursed amounted to \$45,251.23. The Reid Corporation was reimbursed the amount of \$1,500 this past fiscal year. As of June 30, 2017 the total amount of \$32,500 has been reimbursed leaving a balance remaining of \$12,751.23.

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 Brownfield Redevelopment Authority as a whole and present a longer-term view of the Brownfield Redevelopment Authority's finances. Fund financial statements provide more detailed information about the Brownfield Redevelopment Authority's funds - not the Brownfield Redevelopment Authority as a whole. These statements tell how these services were financed in the short term as well as what remains for future spending.

Reporting the Brownfield Redevelopment Authority as a Whole

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

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

- Governmental activities – The Brownfield Redevelopment Authority's services are reported here. Property taxes finance most of these activities.

Reporting the Brownfield Redevelopment Authority's Most Significant Funds

The fund financial statements provide detailed information about the Brownfield Redevelopment Authority's funds. The Brownfield Redevelopment Authority's funds utilize the *governmental* accounting approach.

- *Governmental funds* – Most of the Brownfield Redevelopment Authority'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 Brownfield Redevelopment Authority's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Brownfield Redevelopment Authority's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in reconciliation at the bottom of the fund financial statements.

THE BROWNFIELD REDEVELOPMENT AUTHORITY AS A WHOLE

Table 1 was summarized from the Brownfield Redevelopment Authority Statement of Net Position and provides a comparison of the current and prior years. The net assets of the Brownfield Redevelopment Authority increased from \$545 to \$1,088, an increase of \$543 or 99.6%. In the prior year, the net assets decreased from \$1,060 to \$545, a decrease of \$515 or 48.6%.

Table 1
Net Assets
(In Hundreds)

	Governmental <u>Activities</u> 2017	Governmental <u>Activities</u> 2016
Current and other assets	<u>\$10.9</u>	<u>\$5.4</u>
Total assets	<u>10.9</u>	<u>5.4</u>
Other liabilities	<u>0.0</u>	<u>0.0</u>
Total liabilities	<u>0.0</u>	<u>0.0</u>
Net assets:		
Restricted	0.0	0.0
Assigned (deficit)	<u>10.9</u>	<u>5.4</u>
Total net assets	<u>\$10.9</u>	<u>\$5.4</u>

Governmental Activities

As stated previously, the net assets of the Brownfield Redevelopment Authority's governmental activities increased by \$543. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - is recorded as Fund Balance of \$1,088.

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

Table 2
Changes in Net Assets
(In Hundreds)

	Governmental <u>Activities</u> 2017	Governmental <u>Activities</u> 2016
Revenues:		
Program revenues:		
Charges for Services	\$0.0	\$0.0
Operating grants and Contributions	0.0	0.0
General revenues:		
Property Taxes	26.4	27.0
Other	<u>0.0</u>	<u>0.0</u>
Total Revenues	<u>26.4</u>	<u>27.0</u>
Expenses:		
General government	<u>\$20.9</u>	<u>\$32.2</u>
Total Expenses	<u>20.9</u>	<u>32.2</u>
Increase (Decrease) in net assets		
Before transfers	5.5	(5.2)
Transfers	<u>0.0</u>	<u>0.0</u>
Increase (Decrease) in net assets	5.5	(5.2)
Net assets, July 1	<u>5.4</u>	<u>10.6</u>
Net assets, June 30	<u>\$10.9</u>	<u>\$5.4</u>

Total revenue from all sources totaled \$2,639 which was all from property taxes. The Brownfield Redevelopment Authority captured the City of Lapeer millage rate of 9.8000 and the County operation millage rate of 3.7666.

The governmental activities of the Brownfield Redevelopment Authority had expenses of \$2,096 for project reimbursement to the Reid Corporation in the amount of \$1,500, audit and legal fees in the amount of \$350 and City administration fee in the amount of \$246. 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 BROWNFIELD REDEVELOPMENT AUTHORITY'S FUNDS

The Brownfield Redevelopment Authority received a total of \$2,639 in captured property taxes. The Brownfield Redevelopment Authority had expenses of \$2,096 for project reimbursement to the Reid Corporation in the amount of \$1,500, audit and legal fees in the amount of \$350 and an administration fee to the City of Lapeer in the amount of \$246 for accounting services and project management.

Brownfield Redevelopment Authority Budgetary Highlights

The Brownfield Redevelopment Authority Budget total did not change during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Brownfield Redevelopment Authority does not have any capital assets.

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

Debt

The Brownfield Redevelopment Authority does not have any outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Projected captured taxable values as determined by the City Assessor

The Brownfield Redevelopment Authority reviews its current budget to determine available fund balances to be appropriated for next year's budget. This along with the projected captured taxable value from the city assessor provides the basis of establishing the annual budget. Funds are appropriated based upon funds required for administration of the Brownfield Redevelopment Authority and approved expenses to be reimbursed to the project owner.

Requests for Information

This financial report is designed to provide a general overview of the Brownfield Redevelopment Authority'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.

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2017

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET POSITION
ASSETS			
Cash - checking	\$ <u>1,088</u>	\$ <u> </u>	\$ <u>1,088</u>
FUND BALANCE/NET POSITION	\$ <u>1,088</u>	\$ <u> </u>	\$ <u>1,088</u>
TOTAL LIABILITIES AND FUND BALANCE/NET POSITION	\$ <u>1,088</u>	\$ <u> </u>	\$ <u>1,088</u>

See accompanying notes to financial statements.

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF ACTIVITIES
EXPENDITURES			
General government	\$ 2,096	\$	\$ 2,096
GENERAL REVENUES			
Property taxes	<u>2,639</u>	<u> </u>	<u>2,639</u>
CHANGES IN NET POSITION	543		543
FUND BALANCE/ NET POSITION, JULY 1	<u>545</u>	<u> </u>	<u>545</u>
FUND BALANCE/ NET POSITION, JUNE 30	\$ <u><u>1,088</u></u>	\$ <u><u> </u></u>	\$ <u><u>1,088</u></u>

See accompanying notes to financial statements.

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1: REPORTING ENTITY

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

The financial statements of the Brownfield Redevelopment Authority are presented as the financial statements of a fund which is an integral part of the financial reporting oversight unit of the City of Lapeer.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting and Financial Statements

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

The Governmental fund financial statement is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current period.

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded

Estimates

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

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

FDIC regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 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 Authority's deposits may not be returned to it. As of June 30, 2017, the carrying amount of the Authority's deposits was \$1,088 and the bank balance was \$1,088, of which \$1,088 was covered by federal depository insurance. The remaining balance of \$0 was uninsured and uncollateralized.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2017, the Authority did not have any investment that would be subject to rating.

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** – Concluded

Interest Rate Risk

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

Concentration of Credit Risk

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

NOTE 4: **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.

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS - Concluded

JUNE 30, 2017

NOTE 4: **DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - Concluded**

Fund Balance Classifications and Procedures

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

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

The Authority 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 Authority 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 5: **TAX ABATEMENT**

Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. These agreements were entered into based upon the Brownfield Redevelopment Act, PA 381 of 1996, and amended. Under this act, a municipality may create a brownfield redevelopment authority to develop and implement brownfield projects. Tax increment financing may be used as a tool for property redevelopment. The abatements reduced 2016 City tax revenues by \$2,349.

REQUIRED SUPPLEMENTARY INFORMATION

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

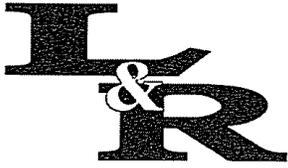
GENERAL OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2017

	BUDGETED AMOUNTS			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Property taxes	\$ 2,643	\$ 2,643	\$ 2,639	\$ (4)
EXPENDITURES				
Attorney/accounting	500	500	350	150
City administration	246	246	246	
Project reimbursement	1,500	1,500	1,500	
Planning for future projects	941	941		941
TOTAL EXPENDITURES	<u>3,187</u>	<u>3,187</u>	<u>2,096</u>	<u>1,091</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(544)	(544)	543	1,087
FUND BALANCE, JULY 1	<u>545</u>	<u>545</u>	<u>545</u>	
FUND BALANCE, JUNE 30	<u><u>\$ 1</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 1,088</u></u>	<u><u>\$ 1,087</u></u>

OTHER SUPPLEMENTARY INFORMATION

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Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS

Members of the Brownfield Redevelopment
Authority of the City of Lapeer
Lapeer, Michigan

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In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Brownfield Redevelopment Authority of the City of Lapeer, Michigan as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Brownfield Redevelopment Authority of the City of Lapeer, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Brownfield Redevelopment Authority of the City of Lapeer, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Brownfield Redevelopment Authority of the City of Lapeer, Michigan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in 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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the following deficiencies in the Brownfield Redevelopment Authority of the City of Lapeer, Michigan's internal control to be significant deficiencies:

Segregation of Duties

Segregation of duties is an arrangement of responsibilities such that the work of one employee serves as a check on the work of others. The least desirable situation is one in which a single employee is responsible for an entire accounting process from the origin of each transaction to the ultimate posting in the general ledger. This situation enhances the likelihood that intentional or unintentional errors will occur and remain undetected.

Because it is often difficult in a small governmental unit to segregate accounting duties, alternative controls should be implemented to compensate for lack of a segregation of duties. Such controls as management supervision are an effective means of improving control and reducing the risk of error without incurring additional cost.

We noted certain matters that we reported to management of the Brownfield Redevelopment Authority of the City of Lapeer, Michigan, in a separate letter dated December 19, 2017.

This report is intended solely for the information and use of management and the Board and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

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

Certified Public Accountants

East Lansing, Michigan
December 19, 2017