

**TOWNSHIP OF LAPEER  
LAPEER, MICHIGAN**

**FINANCIAL REPORT  
WITH ADDITIONAL INFORMATION  
FOR THE YEAR ENDED MARCH 31, 2019**

**TOWNSHIP OF LAPEER**

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INDEPENDENT AUDITOR'S REPORT

To the Board Members  
Township of Lapeer  
Lapeer, MI 48446

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Lapeer (the "Township"), Lapeer, Michigan, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the township'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. 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, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages III-VIII and 20-27, respectively, 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 the 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.

*Mattina, Kent & Gibbons, P.C.*

**Mattina, Kent & Gibbons, P.C.**

Certified Public Accountants

Lapeer, Michigan

July 16, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOWNSHIP OF LAPEER  
LAPEER COUNTY  
LAPEER, MICHIGAN**

**Management's Discussion and Analysis**

As management of the Township of Lapeer, Lapeer County, Lapeer, Michigan (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the Township's financial activities for the year ended March 31, 2019. We encourage readers to consider the information presented herein in conjunction with the Township's financial statements.

**Financial Highlights**

- The assets of Township of Lapeer exceeded its liabilities as of March 31, 2019 by \$1,957,735. Of this amount, \$1,358,959 may be used to meet the Township's ongoing obligations to citizens and creditors.
- As of the close of March 31, 2019, the Township's governmental funds reported a combined ending fund balance of \$1,397,474, an increase of \$209,316 in comparison with the period ending March 31, 2018.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$911,439, an increase of \$457,168 from the beginning of the year. The unassigned fund balance is about 106% of total General Fund expenditures for the year ended March 31, 2019.

**Using this Annual Report**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components; (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. It also contains other supplemental information to provide a greater detail of the data presented in the basic financial statements.

**Government-wide Financial Statements**

Government-wide financial statements provide information about the activities of the Township, presenting a broad long-term overview of the Township's finances, in a manner similar to a private-sector business. This longer-term view uses the accrual basis of accounting, so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Statement of Net Position presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Statement of Net Position and the Statement of Activities report the governmental activities for the Township, which encompasses all of the Township's services, including general government, public safety, public works and cemetery operations. Property taxes and unrestricted state-shared revenue finance most of these activities.

## Reporting the Township's Most Significant Funds – Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds, not the Township as a whole.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law.

These fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

All of the funds of the Township can be divided into two categories:

- (1) Governmental Funds – Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements.
- (2) Fiduciary Funds – The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the Township's own programs.

## Notes to the Financial Statements

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## The Township as a Whole

As noted earlier, net position may serve over time as a useful indicator of the government's financial position.

The following table shows, in a condensed format, the Net Position as of March 31, 2019 and March 31, 2018.

	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>Increase / (Decrease)</u>
Assets			
Current Assets	\$ 1,600,045	\$ 1,440,952	\$ 159,093
Capital Assets – Net of Depreciation	<u>564,434</u>	<u>577,158</u>	<u>(12,724)</u>
Total Assets	2,164,479	2,018,110	146,369
Liabilities			
Current Liabilities	41,419	69,542	(28,123)
Non-current Liabilities	<u>165,325</u>	<u>181,860</u>	<u>(16,535)</u>
Total Liabilities	206,744	251,402	(44,658)
Net Position			
Invested in Capital Assets	564,434	577,158	(12,724)
Restricted	34,372	34,372	-
Unrestricted	<u>1,358,929</u>	<u>1,155,178</u>	<u>203,750</u>
Total Net Position	<u>\$ 1,957,735</u>	<u>\$ 1,766,708</u>	<u>\$ 191,027</u>

The following table shows the changes of the net position during the fiscal years ended March 31, 2019 and March 31, 2018.

	March 31, 2019	March 31, 2018	Increase / (Decrease)
Revenue			
Program Revenues			
Charges for Services	\$ 215,624	\$ 56,409	\$ 159,215
Capital Grants	1,200	16,892	(15,692)
General Revenue			
Property Taxes and Collection Fees	295,943	286,443	9,500
State Shared Revenue	431,514	413,276	18,238
Property Transfer – City	44,076	36,242	7,834
Other Revenue	71,683	71,244	439
Total Revenue	1,060,040	880,506	179,534
Program Expenses			
General Government	404,471	362,897	41,574
Public Safety	257,949	278,523	(20,574)
Public Works	166,413	182,651	(16,238)
Health and Welfare	-	7,584	(7,584)
Community and Economic Development	27,721	17,665	10,056
Recreation and Culture	12,459	12,299	160
Total Program Expenses	869,013	861,619	7,394
Change in Net Position	191,027	18,887	172,140
Net Position – Beginning of year	1,766,708	1,747,821	18,887
Net Position – End of year	\$ 1,957,735	\$ 1,766,708	\$ 191,027

The Township’s total governmental revenues, as reported in the Statement of Activities, totaled approximately \$1,060,000. There was a significant decrease in capital grants. This decrease was due to the Township receiving election equipment from the state in the prior year. Property taxes and collection fees increased due to the increased valuation of property taxable in the Township and this amount was fully due and collected within the year ending March 31, 2019. Charges for services increased due mostly to a new public safety special assessment. Total program expenses, as reported in the Statement of Activities, totaled approximately \$869,000, an increase over the prior fiscal year. The decrease in health and welfare was due to the ambulance service eliminating its assessment to the service’s ownership.

### **The Township’s Funds**

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township’s overall financial health. The analysis of the Township’s major funds begins on page 3, following the government-wide financial statements.

The Township completed the fiscal year with a combined fund balance of \$1,397,474 an increase of \$209,316 from last year. The General Fund’s fund balance increased \$213,766.

The General Fund accounts for most of the Township’s government services. The most significant are fire protection, law enforcement, assessing, and roads. Management of these services is not supported by special millages, but through the general revenues of property taxes and state-shared revenue.



## **Capital Asset and Debt Administration**

### **Capital Assets**

At March 31, 2019, the Township had \$1,455,730 invested in a broad range of capital assets, including land, buildings, and equipment. This amount represents a net increase of \$63,580 over the prior fiscal year.

Land and Improvements	\$ 548,766
Buildings and Improvements	636,513
Equipment	270,451
Total Capital Assets	<u>1,455,730</u>
Less Accumulated Depreciation	891,296
Net Capital Assets	<u>\$ 564,434</u>

Major capital asset transactions include remodeling of the Township restrooms and police cameras and tasers.

### **Debt Administration**

In September 2014, the Township issued \$248,000 of Special Assessment Bonds. These bonds were issued to pay for roadwork in the Blooming Fields Estate. These bonds were designated as “Special Assessment Bond, Series 2014” and were issued as a single, nonconvertible, fully registered bond. These bonds bear interest of 3.5% per annum payable on March 31 and October 31 of each year commencing March 31, 2015 and shall mature on March 31 in each year from 2015 to 2029 in the amount of \$16,535 with final maturity on March 31, 2029 in the amount of \$16,510.

The repayment of these bonds is to be funded by the township residents in the Blooming Fields Estate Special Assessment district. Those residents will have their portion of each year’s principal maturity, interest and any additional costs incurred for those bonds added to their winter tax bill as a special assessment.

As of March 31, 2019 the Township’s total outstanding long-term debt was \$165,325.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account events during the year. The total revenues increased \$163,935. The total expenditures budgeted increased \$42,466.

### **Economic Factors and Next Year’s Budget**

Although Michigan’s economy continues to improve; it is important for the Township administration to stay informed on laws and regulations that may impact our revenue so that we may plan for any needed changes in advance.

Michigan’s unemployment rate at 4.1% is slightly higher than the national unemployment rate at 3.6%. Lapeer County’s unemployment rate is at 5.1%, higher than both the national and state rates as of April 2019.

The 2018 Consumer Price Index (CPI) ratio was 1.021 a change of 2.1%; in 2019 the ratio is 1.024 a change of 2.4%. The Michigan Economic Update summarizing economic data for April of 2019 indicates that the CPI inflation rate will slow over 2019 to 1.8%. The fiscal health and stability of the community as a whole impacts the township enormously.

The Township in June of 2019 held a Truth in Taxation hearing delaying a complete rollback of millage monies. The millage rate has been reduced to 1.5340 from 1.5486 mills for general operating purposes. That decrease combined with an increase in the Township's taxable value results in a slight increase of about 2.4% or \$5,800 in operating revenues for the Township. The state shared revenue is also projected to increase slightly from the 2018-2019 fiscal year.

The cost of services and contracts still continues to rise. In 2018, the Township board signed a ten-year contract with the City of Lapeer for fire protection services, ensuring a steadfast amount to be budgeted each year with increases based upon the inflation rate multiplier as determined by the State of Michigan Tax Commission. This continues to be a large portion of the budget. Beginning with 2018 and going for a period of ten (10) years a township wide special assessment for public safety was enacted under Public Act 33 of 1951, as amended and each parcel is assessed a fee to help defray the cost of public safety. This assessment frees up some of the general fund monies to provide other services for residents.

The Township is a member of the Lapeer County Emergency Medical Service Authority (LEMS). The LCEMS has just gone through some reorganization and is now receiving a millage rate of 0.9935 mills from every Lapeer County property owner, thus relieving the Township of our per capita contribution that we have been obligated to in past budget years. The Township board will be able to utilize this minimal amount of money elsewhere in future budgets as best needed.

The Lapeer Township Planning Commission is in the process of reviewing and updating the Master Plan. This plan needs to be reviewed every five (5) years and updated every ten (10) years. There have been enough changes identified to complete a thorough review and update. This mandatory update is anticipated to encompass the next two (2) fiscal years.

The Township Hall and Community Building is aging and is over thirty years old. Updates and repairs to the building and grounds are in process.

The Township has acquired a thirty eight acre parcel of property that was analyzed by the planning commission for implementation into the park and recreation plan. At this point in time, no long or short term plans have been made to the recreation plan for this newly acquired property. The Township board of Trustees will continue to seek grant opportunities for any potential projects in the Township.

The condition of Township roads is continually monitored and addressed as our budget allows. Roads must continue to be maintained to delay deterioration. Implementation of road maintenance and improvements are an ongoing process. In 2014, a special assessment district (SAD) was formed to upgrade the aged and decaying roads within the Blooming Fields subdivision. Bonds were obtained to fund the project and it is considered successful. Through necessity hearings and petitions three other subdivisions are in process of upgrading their subdivision roads through the special assessment district process. The three subdivisions moving forward with road projects that will be bonded are: Huntford Estate No. 1 (Alice Drive, Vivian Drive, Gwen Drive, DonWayne), Pleasant Estates (Sharon Drive), Tanglewood Subdivision (Tanglewood Drive, Pinewood Court, Wildwood Court). There is a potential for other Township subdivisions to implement special assessment districts as well.

The Township is upgrading the approaches on Turrill Road; both the east and west sides of M-24 in preparation for the Michigan Department of Transportation (MDOT) to install and activate a traffic light at this hazardous intersection. The road upgrade was completed in June of 2019 and awaiting MDOT to complete installation of the traffic signal. This will make the intersection safer for our community.

The Lapeer County Road Commission on behalf of the Township has applied for a rubber tire grant to redo Myers Road; the grant was very competitive and Lapeer Township did not receive funding. We will continue to seek grants and any other revenue streams to upgrade local roads.

Ongoing budget monitoring is constantly performed to assess the projects and services needed with the respective associated expenses for the township.

### **Contacting the Township's Management**

This financial report is intended to provide our residents, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 1500 Morris Road, Lapeer, MI 48446.

## **BASIC FINANCIAL STATEMENTS**

**TOWNSHIP OF LAPEER**  
**STATEMENT OF NET POSITION**  
**MARCH 31, 2019**

	Governmental Activities
<b>ASSETS</b>	
Current Assets	
Cash and Investments	\$ 1,309,002
Accounts Receivable - Fire Runs, Net	29,190
Accounts Receivable - Other, Net	94,963
Prepaid Expenditures	1,565
Restricted Assets	
Cash and Investments - Restricted for Debt Service	18,063
Accounts Receivable - Special Assessments	147,262
Total Current Assets	1,600,045
Capital Assets	
Land	15,393
Land Improvements, Net of Depreciation	164,741
Building and Improvements, Net of Depreciation	267,594
Equipment, Net of Depreciation	116,706
Total Capital Assets	564,434
<b>TOTAL ASSETS</b>	<b>\$ 2,164,479</b>
 <b>LIABILITIES</b>	
Accounts Payable	\$ 14,322
Accrued Expenses	27,097
Non-current liabilities	
Due within one year	16,535
Due in more than one year	148,790
<b>TOTAL LIABILITIES</b>	<b>206,744</b>
 <b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	564,434
Restricted for:	
Permanent Fund - Perpetual Care Fund	34,372
Unrestricted	1,358,929
<b>TOTAL NET POSITION</b>	<b>1,957,735</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,164,479</b>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF LAPEER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2019**

	Expenses	Charges for Services	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 404,471	\$ 4,625	\$ -	\$ (399,846)
Public Safety	257,949	199,405	1,200	(57,344)
Public Works	166,413	10,747	-	(155,666)
Community and Economic Development	27,721	-	-	(27,721)
Recreation and Culture	12,459	847	-	(11,612)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>869,013</b>	<b>215,624</b>	<b>1,200</b>	<b>(652,189)</b>
 <b>GENERAL REVENUES</b>				
Property Taxes				251,631
Collection Fees				44,312
State Shared Revenue				431,514
Property Transfer - City				44,076
Interest Income				18,344
Cable TV Franchise Fee				41,192
Hall Rental				8,275
Miscellaneous				3,872
<b>TOTAL GENERAL REVENUES</b>				<b>843,216</b>
 <b>CHANGE IN NET POSITION</b>				 <b>191,027</b>
 <b>NET POSITION - BEGINNING</b>				 <b>1,766,708</b>
 <b>NET POSITION - ENDING</b>				 <b>\$ 1,957,735</b>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF LAPEER  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
MARCH 31, 2019**

	General Fund	Debt Service Fund	Permanent Fund Cemetery Trust Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 1,274,146	\$ 18,063	\$ 34,856	\$ 1,327,065
Due from Other Funds	484	-	-	484
Accounts Receivable - Other	94,823	-	-	94,823
Accounts Receivable - Fire Runs	15,440	-	-	15,440
Prepaid Expenses	1,565	-	-	1,565
<b>TOTAL ASSETS</b>	<b>\$ 1,386,458</b>	<b>\$ 18,063</b>	<b>\$ 34,856</b>	<b>\$ 1,439,377</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 14,322	\$ -	\$ -	\$ 14,322
Accrued Expenses	27,097	-	-	27,097
Due to Other Funds	-	-	484	484
<b>TOTAL LIABILITIES</b>	<b>41,419</b>	<b>-</b>	<b>484</b>	<b>41,903</b>
<b>FUND EQUITY</b>				
Non-Spendable				
Permanent Fund				
Cemetery Perpetual Care	-	-	34,372	34,372
Spendable				
Restricted for				
Debt Service	-	18,063	-	18,063
Committed				
Township Improvements	433,600	-	-	433,600
Unassigned	911,439	-	-	911,439
<b>TOTAL FUND EQUITY</b>	<b>1,345,039</b>	<b>18,063</b>	<b>34,372</b>	<b>1,397,474</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 1,386,458</b>	<b>\$ 18,063</b>	<b>\$ 34,856</b>	<b>\$ 1,439,377</b>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF LAPEER  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

Total Governmental Funds Balances	\$ 1,397,474
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	564,434
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Bonds payable are not due and payable in the current period and are not reported in the funds.	(165,325)
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Accounts receivable that are not available to pay for current-period expenditures and are therefore, not reported in the funds:

Special Assessments	147,262
Fire Runs	13,750
Other	140
	140

Net Position of Governmental Activities	\$ 1,957,735
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The accompanying notes are an integral part of the financial statements.



**TOWNSHIP OF LAPEER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	General Fund	Debt Service Fund	Permanent Fund Cemetery Trust Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 295,943	\$ 18,156	\$ -	\$ 314,099
Intergovernmental	475,590	-	-	475,590
Charges for Services	224,792	-	-	224,792
Interest	17,860	294	484	18,638
Grant Revenue	1,200	-	-	1,200
Other Revenue	54,186	-	-	54,186
<b>TOTAL REVENUES</b>	<b>1,069,571</b>	<b>18,450</b>	<b>484</b>	<b>1,088,505</b>
<b>EXPENDITURES</b>				
General Government	404,789	-	-	404,789
Public Safety	253,160	-	-	253,160
Public Works	166,413	-	-	166,413
Health and Welfare	-	-	-	-
Community and Economic Development	27,721	-	-	27,721
Recreation and Culture	4,206	-	-	4,206
Debt Service				
Principal Retirement	-	16,535	-	16,535
Interest Paid	-	6,365	-	6,365
<b>TOTAL EXPENDITURES</b>	<b>856,289</b>	<b>22,900</b>	<b>-</b>	<b>879,189</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>213,282</b>	<b>(4,450)</b>	<b>484</b>	<b>209,316</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	484	-	-	484
Operating Transfers Out	-	-	(484)	(484)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>484</b>	<b>-</b>	<b>(484)</b>	<b>-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>213,766</b>	<b>(4,450)</b>	<b>-</b>	<b>209,316</b>
<b>FUND BALANCE - BEGINNING</b>	<b>1,131,273</b>	<b>22,513</b>	<b>34,372</b>	<b>1,188,158</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,345,039</b>	<b>\$ 18,063</b>	<b>\$ 34,372</b>	<b>\$ 1,397,474</b>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF LAPEER**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO**  
**STATEMENT OF ACTIVITIES**

Net Change in Fund Balance - Total Governmental Funds	\$	209,316
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures; however, in the Statement of Activities, these costs are allocated over their estimated use lives as depreciation:

Capital Outlay		63,580
Depreciation Expense		(76,304)

Repayment of bond principal is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt).		16,535
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Revenues that were reported in the Statement of Activities in a prior year, but not in the Statement of Revenues, Expenditures and Changes in Fund Balance of that year because they did not provide current financial resources for that year, but are current financial resources of the current year and reported in this statement:

Fire Run Fees		(10,015)
Other		-

Current financial resources in the governmental funds that are not reported in the Statement of Activities (which either increase accounts receivable or long-term debt):

Special Assessment (Tax) Revenue		(18,156)
Debt Service Interest Income (Restricted)		(294)

Debt Service expenditures in the governmental funds, but not in the Statement of Activities (where they increase accounts receivable):

Special Assessment Bond Interest Paid		6,365
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Change in Net Position of Governmental Activities	\$	191,027
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The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF LAPEER**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**MARCH 31, 2019**

	Trust and Agency Fund	Tax Collection Fund	Total Agency Funds
<b>ASSETS</b>			
Cash and Investments	\$ -	\$ 12,039	\$ 12,039
Delinquent Taxes Receivable	-	7,241	7,241
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 19,280</b>	<b>\$ 19,280</b>
<b>LIABILITIES</b>			
Due to Others	\$ -	\$ 19,280	\$ 19,280
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 19,280</b>	<b>\$ 19,280</b>

The accompanying notes are an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**TOWNSHIP OF LAPEER**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Township of Lapeer (the “Township”), conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The more significant accounting policies of the Township are described below.

A. REPORTING ENTITY

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township. For the Township, this includes providing police protection, fire services, road maintenance and repairs, cemeteries, and planning and zoning. The Board of Trustees have direct responsibility for these activities.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization’s governing board; and (1) the Township is able to significantly influence the programs or services performed or provided by the organization, or (2) the Township is legally entitled to or can otherwise access the organization’s resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organizations. Component units may also include organizations for which the Township authorizes the issuance of debt or the levying of taxes, or determines the budget.

Based on the aforementioned criteria, the Township of Lapeer has no component units.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Township has no business-type activities.

The statement of net position presents the financial position of the Township at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Township’s governmental activities. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The fiduciary funds of the Township are not included in the government-wide financial statements. The statement of activities report the expense of a given function by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct function activity. Program revenues include (1) charges for services which report fees and other charges to users of the Township’s services; (2) operating grants and contributions which fund finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. The revenues

**TOWNSHIP OF LAPEER**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted.

Other revenue sources not properly included with program revenues are reported as general revenues of the Township. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

FUND FINANCIAL STATEMENTS

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Township has presented the following major governmental funds.

General Fund – The General Fund is the general operating fund of the Township. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund – The debt service fund is used to account for the payment of interest and principal on long-term special assessment debt funded by special assessment districts.

Additionally, the Township has two agency fiduciary funds as follows:

Trust and Agency Fund – This fund is used to account for the collection and disbursement of performance and other deposits payable.

Tax Collection Fund – This fund is used to account for the collection and disbursement of property taxes assessed within the Township.

Additionally, the Township reports a permanent fund, which is used to account for resources held in trust for use by the Township's cemetery. Legal restrictions on the fund's resources require that the principal remains intact and only the earnings be used.

**TOWNSHIP OF LAPEER**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, all liabilities (whether current or non-current) and deferred inflows and outflows of resources associated with the operation of the Township are included on the statement of net position. The statement of activities reports revenues and expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and deferred inflows and outflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income, and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the Township are also recognized as revenue. All other governmental fund type revenues are recognized when received.

D. BUDGETS AND BUDGETARY ACCOUNTING

The Township Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the beginning of the fiscal year, the Board proposes an operating budget for each budgetary fund. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. State statute requires that the budget be submitted in summary form. Also, more detailed line item budgets are included for administrative control.
- (2) A public hearing is conducted to obtain taxpayer comment.
- (3) The budgets are adopted by a majority vote of the Township Board.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- (5) Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Amendments to the Budget are approved by the Township Board, as necessary.

**TOWNSHIP OF LAPEER**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ACCOUNTS RECEIVABLE

Accounts receivable are shown net of an allowance for doubtful accounts on the statement of net position. The allowance equals the estimated uncollectable portion of accounts receivable. This estimate is based on historical collection experience and a review of the current status of accounts receivable.

F. CASH EQUIVALENTS

The Township considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

G. INVESTMENTS

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

H. RESTRICTED ASSETS

Cash and investments and accounts receivable – special assessments, which may only be used for debt service principal and interest payments in accordance with applicable laws and regulations have been reported as restricted cash and investments on the government-wide statement of net position.

I. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations.

J. USE OF ESTIMATES

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

K. CAPITAL ASSETS

Capital assets, which include property, buildings, and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets capitalized have an original cost of \$500 or more for equipment and \$5,000 or more for non-equipment, and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	5-50 years
Equipment	5-20 years
Land Improvements	15-20 years



**TOWNSHIP OF LAPEER**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as “Due to/from other funds.”

M. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position sometimes includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any of this type of item.

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 of resources*, represent an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Township does not have any of this type of item.

N. LONG-TERM OBLIGATIONS

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds. As of March 31, 2019, the Township has \$165,325 in long-term special assessment bonds payable. There was no premium or discount on these bonds.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and 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, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Payments of bond principal and interest are reported as debt service expenditures.

O. FUND EQUITY

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position”.

Governmental fund balances, generally, represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in those resources can be spent. Fund balances are classified as follows.

Non-Spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact. Examples of this classification are prepaid items, inventories and principal (corpus) of an endowment fund. As of March 31, 2019, the Township has \$34,372 in its Permanent Fund for the perpetual care of the cemetery which is considered to be non-spendable.

**TOWNSHIP OF LAPEER**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. FUND EQUITY (Continued)

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments. As of March 31, 2019, the Township has \$18,063 in funds restricted to debt service.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Township Board. The Township Board is the highest level of decision making authority for the Township. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Township Board. As of March 31, 2019, the Township has \$433,600 in committed funds related to Township improvements.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Township Board may assign amounts for specific purposes. As of March 31, 2019, the Township has no assigned funds.

Unassigned – all other spendable amounts. As of March 31, 2019, the Township has total unassigned funds of \$911,439.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Township considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Township Board has provided otherwise in its commitment or assignment actions.

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

The Township applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

P. ELIMINATIONS AND RECLASSIFICATIONS

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within and governmental activities column.

**TOWNSHIP OF LAPEER**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Q. SUBSEQUENT EVENTS**

The Township has evaluated subsequent events through July 16, 2019, the date the financial statements were available to be issued.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary–Trust and Agency Funds	Total Primary Government
Bank Deposits			
Demand Deposits	\$ 6,375	\$ 12,039	\$ 18,414
Savings Deposits	394,000	-	394,000
Certificates of Deposit	150,000	-	150,000
Petty Cash	225	-	225
Total Bank Deposits	550,600	12,039	562,639
Investments			
MICLASS	758,402	-	758,402
Total Investments	758,402	-	758,402
Total Cash and Investments	\$ 1,309,002	\$ 12,039	\$ 1,321,041
Restricted Bank Deposits			
Savings	\$ 18,063	\$ -	\$ 18,063

The bank balance of the primary government’s deposits is \$587,909, all of which is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution’s trust department in the Township’s name.

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

CREDIT RISK

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

Investment	Fair Value	Rating	Rating Organization
MICLASS	\$ 758,402	AAAm	Standard & Poors

CUSTODIAL CREDIT RISK – BANK DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Township’s deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$-0- of the Township’s bank balance of \$-0- was exposed to custodial credit risk, because it was uninsured and uncollateralized.

CUSTODIAL CREDIT RISK – INVESTMENTS

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Township does not have a policy for investment custodial credit risk. At year end, the Township had only 2a7-like investment pools. These pools are not categorized, because they are not evidenced by securities that exist in physical or book-entry form. The Township’s investment is with the pool, not the securities that make up the pool.

INTEREST RATE RISK

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The Township minimizes this risk by investing in liquid asset funds, money market mutual funds, shorter-term securities and similar investment pools and limiting the average maturity in accordance with the Township’s investment policy.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township’s investment in a single issuer. The Township minimizes this risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

FOREIGN CURRENCY RISK

The Township is not authorized to invest in investments which have this type of risk.

**TOWNSHIP OF LAPEER**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2019, was as follows:

	Balance 3-31-18	Additions	Deletions	Balance 3-31-19
Capital Assets Not Being Depreciated				
Land	\$ 15,393	\$ -	\$ -	\$ 15,393
Total Capital Assets not being Depreciated	<u>15,393</u>	<u>-</u>	<u>-</u>	<u>15,393</u>
Capital Assets being Depreciated				
Land Improvements	533,373	-	-	533,373
Building and Improvements	591,054	45,459	-	636,513
Equipment	252,330	18,121	-	270,451
Total Capital Assets being Depreciated	<u>1,376,757</u>	<u>63,580</u>	<u>-</u>	<u>1,440,337</u>
Less Accumulated Depreciation for				
Land Improvements	342,354	26,278	-	368,632
Building and Improvements	352,815	16,104	-	368,919
Equipment	119,823	33,922	-	153,745
Total Accumulated Depreciation	<u>814,992</u>	<u>76,304</u>	<u>-</u>	<u>891,296</u>
Total Capital Assets being Depreciated, Net	<u>561,765</u>	<u>(12,724)</u>	<u>-</u>	<u>549,041</u>
Total Government Assets, Net	<u>\$ 577,158</u>	<u>\$ (12,724)</u>	<u>\$ -</u>	<u>\$ 564,434</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

General Government	\$ 48,656
Public Safety	19,395
Recreation and Culture	<u>8,253</u>
Total Depreciation Expense	<u>\$ 76,304</u>

NOTE 4 – LONG-TERM LIABILITIES

The Township has a contingent liability against its full faith and credit on \$165,325 of special assessment bonds. The general credit of the Township is obligated only to the extent that collections from special assessments are insufficient to retire outstanding bonds. The Township expects to fully fund these bonds through the special assessments. These bonds carry interest at 3.5% per annum.

**TOWNSHIP OF LAPEER**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Long-term liability activity for the year ended March 31, 2019, follows:

	<u>Balance</u> <u>03-31-18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>3-31-19</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Special Assessment Bonds					
Series 2014 R-1	\$ 181,860	\$ -	\$ 16,535	\$ 165,325	\$ 16,535
Total Governmental Long- term Liabilities	<u>\$ 181,860</u>	<u>\$ -</u>	<u>\$ 16,535</u>	<u>\$ 165,325</u>	<u>\$ 16,535</u>

Annual debt service requirement to maturity to fund special assessments bonds follows:

<u>Year Ending</u> <u>March 31</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 16,535	\$ 5,786
2021	16,535	5,208
2022	16,535	4,629
2023	16,535	4,050
2024	16,535	3,471
2025	16,535	2,893
2026	16,535	2,314
2027	16,535	1,735
2028	16,535	1,157
2029	<u>16,510</u>	<u>578</u>
Total	<u>\$ 165,325</u>	<u>\$ 31,821</u>

NOTE 5 – PROPERTY TAXES

The Township’s property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township’s 2018 tax is levied and collectible on December 1, 2018, and is recognized as revenue in the year ended March 31, 2019, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the Township totaled approximately \$156,100,000 on which taxes levied consisted of 1.5486 mills for operating purposes. This resulted in approximately \$241,700 for operating purposes. Additional amounts were collected for property not included in the taxable valuation.

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 – TAX ABATEMENTS

The Township offers property tax incentives to promote economic activity, increase and retain employment, and provide incentives for investment in property that increase the tax base of the Township.

For the fiscal year ended March 31, 2019, the Township did not abate any taxes.

NOTE 7 – INTERFUND TRANSACTIONS

Operating Transfers

Operating transfers constitute the transfer of resources from the fund that received the resources to the fund that utilized them. The interfund transfers are as follows:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Fund</u>	<u>Operating Transfers Out</u>
General Fund	\$ 484	Permanent Fund - Cemetery Trust Fund	\$ 484
Total	<u>\$ 484</u>	Total	<u>\$ 484</u>

Interfund Receivables and Payables

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General Fund	\$ 484	Permanent Fund - Cemetery Trust Fund	\$ 484
Total	<u>\$ 484</u>	Total	<u>\$ 484</u>

NOTE 8 – PENSION PLAN

The Township makes annual contributions to the Lapeer Township Group Pension Plan for all eligible employees. The plan is administered by the Township Clerk. The plan is a defined contribution plan to which the Township contributes 25% of eligible wages paid to eligible employees. Law enforcement officers are eligible for a contribution of 10% of eligible wages.

The Township contributed \$40,974 to the plan for the year ended March 31, 2019.

NOTE 9 – FIRE DEPARTMENT CONTRACT

The City of Lapeer provides fire department services to the Township of Lapeer. The City of Lapeer was paid a fee of \$149,974 for the period from April 1, 2018 through March 31, 2019.

**TOWNSHIP OF LAPEER**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 10 – MAINTENANCE AND PERFORMANCE GUARANTEE BONDS

In compliance with Township ordinances, a bond is required for a minimum of 6% of total site improvement costs. These costs are to be returned upon final approval. Cash that is received by the Township is recorded into the Trust & Agency Fund bank account and into the Due to Others account. The developer may obtain a jointly named certificate of deposit to comply with the bonding requirements. The certificates of deposit are not reflected in these basic financial statements, since the Township does not have custody or ownership of the funds.

NOTE 11 – RISK MANAGEMENT

The Township has exposure to risks of loss due to torts, errors and omissions, and property loss. The Township manages these risks by purchasing commercial insurance.

NOTE 12 – CONTINGENCIES

The Township is periodically involved in District Court ordinance enforcement actions. These District Court matters do not involve costs to the Township beyond prosecution expenses.



**REQUIRED SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
TAXES				
Property Taxes	\$ 256,000	\$ 252,435	\$ 251,631	\$ (804)
Collection Fees and Penalties	25,250	25,250	44,312	19,062
TOTAL TAXES	<u>281,250</u>	<u>277,685</u>	<u>295,943</u>	<u>18,258</u>
INTERGOVERNMENTAL				
State Revenue Sharing	410,000	410,000	431,514	21,514
City Property Transfer	34,000	34,000	44,076	10,076
TOTAL INTERGOVERNMENTAL	<u>444,000</u>	<u>444,000</u>	<u>475,590</u>	<u>31,590</u>
CHARGES FOR SERVICES				
Cemetery	4,750	4,750	8,232	3,482
Development Fees	500	500	630	130
Business Licenses	50	50	380	330
Fire Run Fees and Fines	25,000	25,000	42,765	17,765
Penal Fines	2,000	2,000	1,219	(781)
Special Assessments	2,698	170,198	167,520	(2,678)
Special Meetings	1,590	1,590	4,046	2,456
TOTAL CHARGES FOR SERVICES	<u>36,588</u>	<u>204,088</u>	<u>224,792</u>	<u>20,704</u>
MISCELLANEOUS SOURCES				
Interest Earned	7,000	7,000	17,860	10,860
Township Hall Rental	5,800	5,800	9,122	3,322
Cable TV	40,000	40,000	41,192	1,192
Grant Revenue	1,200	1,200	1,200	-
Other Revenue	1,950	1,950	3,872	1,922
TOTAL MISCELLANEOUS SOURCES	<u>55,950</u>	<u>55,950</u>	<u>73,246</u>	<u>17,296</u>
TOTAL REVENUES	<u>817,788</u>	<u>981,723</u>	<u>1,069,571</u>	<u>87,848</u>

See Notes to Required Supplemental Information..

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
<b>TRUSTEE</b>				
Salaries	\$ 11,000	\$ 11,000	\$ 10,762	\$ 238
Township Social Security	682	682	667	15
Township Medicare	160	160	156	4
Pension	2,750	2,750	2,691	59
Health Insurance	2,200	2,200	2,153	47
Employers Life Insurance	276	276	159	117
Professional Services	-	50	45	5
Membership, Subscriptions	3,000	3,000	2,189	811
Conferences, Education	750	700	50	650
Community Promotion	300	300	282	18
<b>TOTAL TRUSTEE</b>	<b>21,118</b>	<b>21,118</b>	<b>19,154</b>	<b>1,964</b>
<b>SUPERVISOR</b>				
Salaries	30,000	30,000	29,330	670
Deputy	-	-	-	-
Township Social Security	1,860	1,860	1,818	42
Township Medicare	435	435	425	10
Pension	7,500	7,500	7,333	167
Health Insurance	6,000	6,000	3,422	2,578
Employers Life Insurance	138	150	142	8
Conferences, Education	1,000	968	43	925
Software	-	20	17	3
<b>TOTAL SUPERVISOR</b>	<b>46,933</b>	<b>46,933</b>	<b>42,530</b>	<b>4,403</b>
<b>CLERK</b>				
Salaries	41,000	41,000	40,650	350
Deputy	2,500	2,500	530	1,970
Township Social Security	2,697	2,697	2,553	144
Township Medicare	631	631	597	34
Pension	10,875	10,875	10,295	580
Health Insurance	8,200	8,200	7,930	270
Employers Life Insurance	138	150	142	8
Conferences, Education	1,500	1,268	241	1,027
Transportation	-	200	115	85
Office Equipment	500	500	-	500
Software	-	20	17	3
<b>TOTAL CLERK</b>	<b>68,041</b>	<b>68,041</b>	<b>63,070</b>	<b>4,971</b>

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
AUDITOR				
Professional Services	\$ 6,800	\$ 6,800	\$ 6,590	\$ 210
<b>TOTAL AUDITOR</b>	<b>6,800</b>	<b>6,800</b>	<b>6,590</b>	<b>210</b>
BOARD OF REVIEW				
Wages Per Diem	2,000	2,000	1,231	769
Township Social Security	124	124	80	44
Township Medicare	29	29	19	10
Conferences, Education	700	700	129	571
Publishing, Newspaper	200	200	180	20
<b>TOTAL BOARD OF REVIEW</b>	<b>3,053</b>	<b>3,053</b>	<b>1,639</b>	<b>1,414</b>
TREASURER				
Salaries	32,000	32,000	32,000	-
Deputy	1,000	1,000	301	699
Township Social Security	2,046	2,046	1,929	117
Township Medicare	479	479	451	28
Pension	8,250	8,250	8,075	175
Health Insurance	660	4,010	3,998	12
Employers Life Insurance	138	150	142	8
Office Supplies	1,600	1,600	1,295	305
County Contract, Expense	100	100	63	37
Conferences, Education	1,500	75	75	-
Property Tax Chargebacks	300	300	52	248
Professional Fees	100	100	-	100
Office Equipment	100	100	15	85
Software	1,100	1,135	1,115	20
<b>TOTAL TREASURER</b>	<b>49,373</b>	<b>51,345</b>	<b>49,511</b>	<b>1,834</b>
ASSESSOR				
Salaries	3,400	3,400	3,377	23
Township Social Security	211	211	209	2
Township Medicare	49	49	49	-
Office Supplies	300	219	25	194
Postage & Mailings	1,300	1,381	1,381	-
Operating Supplies, Maps	750	750	476	274
Professional & Contract Service	30,890	30,890	30,389	501

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
ASSESSOR (Continued)				
Office Equipment, Furn.	\$ 250	\$ 215	\$ -	\$ 215
Software	1,400	1,435	1,217	218
TOTAL ASSESSOR	<u>38,550</u>	<u>38,550</u>	<u>37,123</u>	<u>1,427</u>
GENERAL OFFICE				
Hourly Wages	23,005	23,255	22,129	1,126
Township Social Security	1,426	1,426	1,372	54
Township Medicare	334	334	321	13
Pension	5,751	5,751	5,444	307
Employers Life Insurance	138	143	142	1
Office Supplies	3,000	3,000	2,804	196
Postage	4,000	7,750	7,769	(19)
Internet	-	20	17	3
Operating Supplies	1,250	1,250	1,060	190
Special Assessment Expenses	-	-	203	(203)
Professional Services	250	250	-	250
Telephone	5,400	4,895	3,435	1,460
Pension Administration	3,000	3,000	2,250	750
Publishing, Newspaper	800	1,800	1,314	486
Maintenance & Repairs	1,500	1,230	45	1,185
Computer Services	2,500	2,500	2,600	(100)
Miscellaneous	500	80	39	41
Office Equipment, Furn.	4,250	1,640	1,634	6
Software	4,000	2,780	2,777	3
TOTAL GENERAL OFFICE	<u>61,104</u>	<u>61,104</u>	<u>55,355</u>	<u>5,749</u>
ELECTIONS				
Wages Per Diem	6,200	6,043	5,856	187
Township Social Security	155	155	89	66
Township Medicare	36	36	21	15
Pension	625	625	366	259
Office Supplies	750	825	822	3
Professional Services	1,000	1,370	1,370	-
Publishing, Newspaper	500	-	-	-
Software	-	30	30	-
Equipment & Hardware	3,500	3,682	3,682	-
TOTAL ELECTIONS	<u>12,766</u>	<u>12,766</u>	<u>12,236</u>	<u>530</u>

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
TOWNSHIP HALL GROUNDS				
Salaries	\$ 7,600	\$ 7,600	\$ 7,190	\$ 410
Township Social Security	471	471	446	25
Township Medicare	110	110	104	6
Operating Supplies	1,000	1,000	652	348
Professional Services	1,500	4,500	4,180	320
Real Property Taxes	-	247	247	-
Contractual Mowing	2,000	1,600	1,513	87
Contractual Snow Removal	5,000	5,000	5,545	(545)
Maintenance & Repairs	2,500	3,800	16,591	(12,791)
Electricity	4,500	4,500	5,226	(726)
Utilities - Gas & Oil	5,000	5,000	4,590	410
Insurance and Bonds	16,000	16,600	15,793	807
Miscellaneous	250	250	-	250
Lease Security Systems	450	450	443	7
Land Improvements	1,000	1,000	97	903
Building Improvements	15,000	60,000	45,459	14,541
Office Equipment & Furniture	5,000	253	-	253
<b>TOTAL TOWNSHIP HALL GROUNDS</b>	<b>67,381</b>	<b>112,381</b>	<b>108,076</b>	<b>4,305</b>
COMMITTEE				
Wages Per Diem	3,500	3,500	2,096	1,404
Township Social Security	217	217	129	88
Township Medicare	51	51	30	21
Pension	875	875	524	351
<b>TOTAL COMMITTEE</b>	<b>4,643</b>	<b>4,643</b>	<b>2,779</b>	<b>1,864</b>
ATTORNEY				
Professional Services	9,000	9,000	6,726	2,274
<b>TOTAL ATTORNEY</b>	<b>9,000</b>	<b>9,000</b>	<b>6,726</b>	<b>2,274</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>388,761</b>	<b>435,733</b>	<b>404,789</b>	<b>30,944</b>
PUBLIC SAFETY				
LAW ENFORCEMENT				
Hourly Wages	96,000	96,000	66,018	29,982
Social Security	5,890	5,890	4,055	1,835
Medicare	1,378	1,378	948	430
Employers Life Insurance	700	700	257	443

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
LAW ENFORCEMENT (Continued)				
Pension	\$ 9,500	\$ 9,500	\$ 5,660	\$ 3,840
Operating Supplies	750	750	277	473
Operating Supplies - Gas	7,500	7,365	4,891	2,474
Other Professional Services	2,500	2,500	2,191	309
Membership Subscriptions	1,500	1,500	1,206	294
Community Promotion	100	100	93	7
Maintenance & Repairs	3,250	4,850	2,114	2,736
Uniforms	2,500	1,000	587	413
Conferences, Education	1,000	1,000	-	1,000
Software	-	35	33	2
Equipment & Hardware	2,750	18,750	14,606	4,144
TOTAL LAW ENFORCEMENT	<u>135,318</u>	<u>151,318</u>	<u>102,936</u>	<u>48,382</u>
FIRE SERVICE				
Professional Services - Fire Service	150,250	150,250	149,974	276
TOTAL FIRE SERVICE	<u>150,250</u>	<u>150,250</u>	<u>149,974</u>	<u>276</u>
INSPECTION				
Prof. Services - Code Enforcement	1,250	1,250	250	1,000
TOTAL INSPECTION	<u>1,250</u>	<u>1,250</u>	<u>250</u>	<u>1,000</u>
TOTAL PUBLIC SAFETY	<u>286,818</u>	<u>302,818</u>	<u>253,160</u>	<u>49,658</u>
PUBLIC WORKS				
CEMETERY				
Operating Supplies	250	250	-	250
Professional Services	500	500	304	196
Contractual Mowing	8,000	7,300	6,955	345
Contractual Snow Removal	250	250	-	250
Opening, Closing, Foundations	3,000	4,450	4,263	187
Utilities	180	180	166	14
Repair and Maintenance	500	500	-	500
Veterans Memorial	250	250	-	250
Building and Grounds Improvements	750	-	-	-
TOTAL CEMETERY	<u>13,680</u>	<u>13,680</u>	<u>11,688</u>	<u>1,992</u>

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
PUBLIC WORKS (Continued)				
OTHER PUBLIC WORKS				
Drains at Large	\$ 1,000	\$ 2,165	\$ 2,164	\$ 1
Miscellaneous	1,000	900	792	108
Recycling	2,000	2,100	2,100	-
Roads	300,000	277,718	137,294	140,424
Street Lights	12,300	12,300	11,986	314
Publishing, Newspaper	-	-	389	(389)
TOTAL OTHER PUBLIC WORKS	<u>316,300</u>	<u>295,183</u>	<u>154,725</u>	<u>140,458</u>
TOTAL PUBLIC WORKS	<u>329,980</u>	<u>308,863</u>	<u>166,413</u>	<u>142,450</u>
COMMUNITY AND ECONOMIC DEVELOPMENT				
PLANNING				
Wages Per Diem	6,650	6,650	5,289	1,361
Social Security	412	412	328	84
Medicare	96	96	77	19
Pension	450	450	401	49
Professional Services	20,000	20,000	14,189	5,811
Professional Services - Twp Engineering	5,000	5,000	3,675	1,325
Membership, Subscriptions	500	500	500	-
Transportation	250	250	-	250
Publishing, Newspaper	500	500	228	272
TOTAL PLANNING	<u>33,859</u>	<u>33,859</u>	<u>24,687</u>	<u>9,172</u>
ZONING				
Wages Per Diem	2,500	2,500	1,722	778
Social Security	155	155	86	69
Medicare	36	36	20	16
Pension	500	500	154	346
Professional Services	300	430	366	64
Publishing, Newspaper	270	450	389	61
TOTAL ZONING	<u>3,761</u>	<u>4,071</u>	<u>2,737</u>	<u>1,334</u>
ENGINEERING BOARD OF APPEALS				
Wages Per Diem	-	250	247	3
Social Security	-	16	15	1

See Notes to Required Supplemental Information.



**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Favorable (Unfavorable)
EXPENDITURES (Continued)				
COMMUNITY AND ECONOMIC DEVELOPMENT (Continued)				
ENGINEERING BOARD OF APPEALS (Continued)				
Medicare	-	4	4	-
Pension	-	31	31	-
TOTAL ENGINEERING BOARD OF APPEALS	-	301	297	4
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	\$ 37,620	\$ 38,231	\$ 27,721	\$ 10,510
RECREATION AND CULTURE				
Operating Supplies	250	250	-	250
Profession Services	3,250	3,600	3,324	276
Maintenance and Repairs	1,750	1,750	794	956
Land Improvements	1,500	1,150	88	1,062
TOTAL RECREATION AND CULTURE	6,750	6,750	4,206	2,544
TOTAL EXPENDITURES	1,049,929	1,092,395	856,289	236,106
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(232,141)	(110,672)	213,282	323,954
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	200	200	484	284
TOTAL OTHER FINANCING SOURCES (USES)	200	200	484	284
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (231,941)	\$ (110,472)	\$ 213,766	\$ 324,238
FUND BALANCE - BEGINNING			1,131,273	
FUND BALANCE - ENDING			\$ 1,345,039	

See Notes to Required Supplemental Information.

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF LAPEER**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

BUDGETARY INFORMATION

The annual budget is prepared by the Township clerk, supervisor and treasurer and adopted by the Township Board; subsequent amendments are approved by the Township Board.

The budget has been prepared in accordance with generally accepted accounting principles for the General Fund and all Special Revenue Funds.

The budget has been adopted on a cost center basis. Comparison of actual results of operations to the budgets of the General Fund and Major Special Revenue Funds, as adopted by the Township Board, are included in the Required Supplemental Information of the basic financial statements.

EXCESS OF EXPENDITURES OVER BUDGETED AMOUNTS

The Township had expenditure budget overruns as follows:

<u>Fund and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
None			

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Certified Public Accountants

To the Board Members  
Township of Lapeer  
Lapeer, MI 48446

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Lapeer (the "Township"), as of and for the year ended March 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township'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 internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiencies to be material weaknesses:

*Lack of controls to determine and record accrual adjustments.*

During the audit, we generally provide assistance in identifying and proposing accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records (capital assets [including the recording of additions, depreciation expense and disposals], accounts payable, etc.). While these adjustments to the financial statements were immaterial, there could be material misstatements in the Township's financial statements if these entries are not properly made.

*Recommendation:* This is a repeated comment from our letter dated July 24, 2018. We expect this comment to continue from year to year. We are pleased to assist in this process since our staff of auditors have the expertise in accrual adjustments and can generally assist in an effective manner. However, we bring this to your attention since it meets the above definition of a matter to be communicated to those charged with governance. It is worth noting that the Township has continued to make progress in this area and there fewer adjustments identified

than during prior audits. We do not recommend any changes to this situation at this time and communicate that as required by professional standards.

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. We consider the following deficiencies in internal control to be significant deficiencies:

*Lack of adequate controls to produce full-disclosure GAAP financial statements.*

*Requirement:* All Michigan governmental units are required to prepare financial statements in accordance with generally accept accounting principles (GAAP). This is the responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

*Condition:* The Township, as is common with smaller and medium-sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

*Effect:* The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

This is a repeated comment from our letter dated July 24, 2018. We would expect this comment to continue from year to year. We do not recommend any changes to this situation at this time and communicate that as required by professional standards.

**Compliance and Other Matters**

*Disbursement of Delinquent Personal Property Tax Collections*

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provision of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance and other matters required to be reported:

The General Property Tax Act Section 56, requires that the Township remit to the County and other tax assessing units any collections of personal property taxes within 10 days after collection.

During our audit, we noted that the Township had delinquent personal property tax funds on hand in excess of 12 months from the date of collection.

We recommend that the property tax collections be distributed in compliance with the General Property Tax Act and the statutory tax collection distribution dates.

It should be noted that all other tax collections were remitted to the County and other tax assessing units in compliance with the General Property Tax Act and the statutory tax collection distribution dates.

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

We wish to thank the Board for the opportunity to serve as auditors for Township of Lapeer. Please contact us, if you have any questions regarding these or any other matters.

Sincerely,

*Mattina, Kent & Gibbons, P.C.*

**Mattina, Kent & Gibbons, P.C.**  
Certified Public Accountants  
Lapeer, Michigan

July 16, 2019

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July 16, 2019

To the Board Members  
Township of Lapeer  
1500 Morris Road  
Lapeer, MI 48446

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Lapeer for the year ended March 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 2, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Township of Lapeer are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending March 31, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most significant estimate on the Township's financial statements is the allowance for doubtful accounts. Management has determined that no allowance is necessary as it believes that all accounts are collectible.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 16, 2019.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and Budgetary Comparison Schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance of the RSI.

### Informational Items

#### **Updated Uniform Chart of Accounts**

In April 2017, the State released an updated Uniform Chart of Accounts. Originally, local units of government were expected to comply with the changes beginning with June 30, 2018 year ends. However, on June 4, 2018, the State extended the deadline for compliance to "sometime in 2019." While a mandatory implementation date has not been set, on November 27, 2018, further guidance was issued. The Treasury is encouraging those who have not yet implemented to delay doing so to allow the Treasury to digest the suggestions that have been made to make the process smoother. In the meantime, the Treasury is working on developing training and additional information to assist in the transition. The Treasury also assured that plenty of advance warning would be given when a date is set and that it will most likely be for years beginning January 1, 2020 or later.

Local units should begin evaluating this new chart of accounts to determine what changes will be necessary, including any budgetary changes, and set up a plan to achieve compliance. Some accounting software vendors have already been working with some local units on an automated remapping solution. The changes in the chart of accounts are not voluminous, but will require some review. The new chart of accounts can be found at the following link: [https://www.michigan.gov/documents/uniformchart\\_24524\\_7.pdf](https://www.michigan.gov/documents/uniformchart_24524_7.pdf)

The Township has already implemented the new chart of accounts.

#### **Launch of MI Community Financial Dashboard**

The Michigan Department of Treasury launched of the MI Community Financial Dashboard. This dashboard will provide you and your community members with easy-to-use visual data regarding your municipality. The data presented on the dashboard is pulled from the Annual Local Fiscal Report (F65) submitted by your local unit. The dashboard will present data from fiscal years 2010 through 2017. You can sign in and review the dashboard here:

<http://micommunityfinancials.michigan.gov/#!/dashboard/COUNTY/?lat=44.731431779455505&lng=-83.018211069625&zoom=5>

### Upcoming Accounting Standards Requiring Preparation

#### **GASB Statement No. 84 - Fiduciary Activities**

GASB 84 provides criteria for state and local governments to use to identify whether an activity is fiduciary and should be reported as a fiduciary fund type in its financial statements. In addition, once identified as a fiduciary activity, Statement 84 also provides specific reporting requirements.

This statement has the potential to significantly impact what governments report currently as a fiduciary activity. Upon adoption, we anticipate that some government's fiduciary activities will need to move to governmental funds while other activities that never before were considered fiduciary will

now be reported as such. It is also possible that certain pension and OPEB fiduciary funds will no longer be reported in a local unit's financial statements.

Given this statement's potential to have a major impact on many governments, not only to its external financial statements, but also to its accounting system requirements and budget document, we encourage you to start analyzing the impact of this standard now. The first step to implementation is identifying the type of activities that should be analyzed and then running those activities through the lens of this standard.

We do not expect this standard to have any significant effect on the Township.

### **GASB Statement No. 87 - Leases**

This new accounting pronouncement related to leases will be effective beginning with the Township's fiscal year 2021. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

We recommend the Township begin accumulating information related to all significant lease agreements now in order to more efficiently implement this new standard once it becomes effective.

We do not expect this standard to have any significant effect on the Township.

### **GASB Statement No. 88 – Certain Disclosures Related to Debt**

This new accounting pronouncement related to debt will be effective beginning with the Township's fiscal year 2020. This standard provides guidance on note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

We will work with the Township to help them determine what, if any, effect this has on the Township.

### Restriction on Use

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

Sincerely,



**Mattina, Kent & Gibbons, P.C.**

Certified Public Accountants

Lapeer, Michigan