

**BERRIEN COUNTY
LAND BANK AUTHORITY
(A Component Unit of the
County of Berrien, Michigan)**



St. Joseph, Michigan

Basic Financial Statements

For the Year Ended December 31, 2010

BERRIEN COUNTY LAND BANK AUTHORITY

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INDEPENDENT AUDITORS' REPORT

June 29, 2011

To the Chairperson and Members of the
Berrien County Land Bank Authority
St. Joseph, Michigan

We have audited the accompanying basic financial statements of the ***Berrien County Land Bank Authority (the "Authority"), a discretely presented component unit of the County of Berrien, Michigan***, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the management of the Berrien County Land Bank Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Berrien County Land Bank Authority as of December 31, 2010, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2-4 is not part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2011, on our consideration of the County of Berrien, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Berrien County Land Bank Authority (the "Authority") is a discretely presented component unit of the County of Berrien, Michigan, and was established on January 24, 2008, pursuant to the Michigan Land Bank Fast Track Act (Public Act 258) of 2003. The Authority presents this management's discussion and analysis of its financial performance, as an overview of financial activities for the fiscal year ended December 31, 2010. The Authority encourages readers to consider the information presented here in conjunction with the accompanying basic financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of the *statement of net assets*, the *statement of revenues, expenses and change in net assets*, the *statement of cash flows* and the *notes to the basic financial statements*.

- The *statement of net assets* presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *statement of revenues, expenses and change in net assets* presents information showing how the Authority's net assets changed during the most recent fiscal year.
- The *statement of cash flows* presents information showing in greater detail how the Authority received and disbursed cash during the most recent fiscal year.
- The *notes to the basic financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

The net assets of the Authority are summarized for the purpose of determining the overall fiscal position. In the case of the Authority, assets exceeded liabilities by \$13,129 at the end of the fiscal year. All of the net assets of the Authority are considered *unrestricted net assets*, which are available for spending at the government's discretion.

Berrien County Land Bank Authority's Net Assets

	<u>2010</u>	<u>2009</u>
Current assets	\$ 142,437	\$ 47,665
Long-term liabilities outstanding	45,000	50,000
Other liabilities	84,308	-
Total liabilities	<u>129,308</u>	<u>50,000</u>
Net assets:		
Unrestricted (deficit)	<u>13,129</u>	<u>(2,335)</u>
Total net assets (deficit)	<u>\$ 13,129</u>	<u>\$ (2,335)</u>

When comparing the current fiscal year to the previous fiscal year, net assets have increased by \$15,464. Key factors in the increase were forgiveness of \$5,000 in other liabilities to the General Fund of the County and \$15,000 in administration cost reimbursements.

Berrien County Land Bank Authority's Change in Net Assets

	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenue:		
Capital grants and contributions	\$ 373,063	\$ -
Operating grants and contributions	25,842	8,175
General revenue:		
Unrestricted investment earnings	127	123
Total revenues	<u>399,032</u>	<u>8,298</u>
Expenses:		
Community development	<u>383,568</u>	<u>10,633</u>
Increase (decrease) in net assets	15,464	(2,335)
Net assets (deficit), beginning of year	<u>(2,335)</u>	-
Net assets (deficit), end of year	<u>\$ 13,129</u>	<u>\$ (2,335)</u>

Capital Assets and Debt Administration

Capital assets. The Authority does not hold any capital assets nor did it invest in capital assets during the year.

Long-term debt. At the end of the current fiscal year, the Authority has no long term debt.

Advance from primary government. At the end of the current fiscal year, the Authority had an outstanding advance from the County of Berrien of \$45,000. Repayment of this advance is to be paid from program income derived from the resale of foreclosed properties and tax captures related to those properties.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Berrien County Land Bank Authority, 701 Main Street, Saint Joseph, Michigan 49085-1316.

BASIC FINANCIAL STATEMENTS

Berrien County
Land Bank Authority Component Unit
Statement of Net Assets
December 31, 2010

Assets

Current assets -

Cash and investments	\$ 142,437
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Liabilities

Current liabilities:

Accounts payable	1,250
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Unearned revenue	<u>83,058</u>
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Total current liabilities	84,308
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Long-term liabilities -

Advances from primary government	<u>45,000</u>
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Total liabilities	<u>129,308</u>
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Net assets, unrestricted

<u>\$ 13,129</u>

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

Berrien County
Land Bank Authority Component Unit
Statement of Revenue, Expenses
and Changes in Fund Net Assets
For the Year Ended December 31, 2010

Operating revenue	
Capital grant and contributions	\$ 373,063
Operating grants and contributions	<u>25,842</u>
Total operating revenue	398,905
Operating expense	
Community development	<u>383,568</u>
Operating income	15,337
Nonoperating revenue	
Interest revenue	<u>127</u>
Change in net assets	15,464
Net deficit, beginning of year	<u>(2,335)</u>
Net assets, end of year	<u><u>\$ 13,129</u></u>

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

Berrien County
Land Bank Authority Component Unit
Statement of Cash Flows
For the Year Ended December 31, 2010

Cash flows from operating activities	
Cash received from customers	\$ 398,905
Cash payments to suppliers for goods and services	<u>(280,325)</u>
Net cash provided by operating activities	118,580
Cash flows from noncapital financing activities	
Payments on advance from primary government	(5,000)
Cash flows from investing activities	
Interest received	<u>127</u>
Net increase in cash and cash equivalents	113,707
Cash and cash equivalents, beginning of year	<u>28,730</u>
Cash and cash equivalents, end of year	<u><u>\$ 142,437</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 15,337
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in property inventory	18,935
Increase in accounts payable	1,250
Increase in deferred revenue	<u>83,058</u>
Net cash provided by operating activities	<u><u>\$ 118,580</u></u>

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

NOTES to FINANCIAL STATEMENTS

BERRIEN COUNTY LAND BANK AUTHORITY

Notes To Basic Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Berrien County Land Bank Authority (the “Authority”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The Authority’s accounting policies are described below.

A. Reporting Entity

The Authority was incorporated pursuant to the Michigan Land Bank Fast Track Act (Public Act 258) and an intergovernmental agreement between the Authority and the County of Berrien, Michigan (the “County”). The Authority was legally established on January 24, 2008. No other governmental entities are part of the Authority; however, the Authority is a discretely presented component unit of the County. The Authority is governed by a seven-member board, the chair of which is the County of Berrien Treasurer. Of the other six members that are appointed by the County Board of Commissioners, three are County Board of Commissioners and three are members at large. The members of the Authority Board are appointed for three year terms. To provide for staggered terms, of the members initially appointed, two members shall be appointed for a term expiring December 31, 2009, two members shall be appointed for a term expiring December 31, 2010, and two members shall be appointed for a term expiring December 31, 2011. After the expiration of the initial terms, members appointed shall be appointed in the same manner as the original appointments but for terms of three years.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Authority uses a single proprietary or enterprise fund to account for and report its financial activities, which are limited to *business-type activities* – i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

BERRIEN COUNTY LAND BANK AUTHORITY

Notes To Basic Financial Statements

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities and Equity

Cash and Cash Equivalents. Cash and cash equivalents include amounts in demand deposit accounts. State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the United States, certain commercial papers, repurchase agreements and banker acceptances.

Property Inventory. The Authority may acquire by gift, devise, transfer, exchange, foreclosure, purchase or otherwise real or personal property, or rights of interest in real or personal property, on terms and conditions and in a manner the Authority considers appropriate. The properties are initially inventoried at the amount paid. The costs to rehabilitate a particular property that materially add value as well as an allocated portion of administrative costs are added to the cost of that property. Foreclosed tax delinquent property is transferred to the Land Bank Authority and possession is taken at a minimum auction price that is assigned by the County Treasurer. Adjustments are made, as necessary, to reduce the value of property inventory when costs exceed market value.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits

At year-end, the carrying amount of the Authority's pooled cash and investments, which were deposited entirely in the County's internal cash management pool, was \$142,437. Because it is infeasible to allocate risk to individual component units or pool participants, aggregate cash and investment categorizations are presented in the County's basic financial statements.

BERRIEN COUNTY LAND BANK AUTHORITY

Notes To Basic Financial Statements

B. Advances from primary government

The amount reported as advances from primary government represents a \$50,000 loan from the County that is interest free and has no specified payment terms but will be repaid from program income derived from the resale of foreclosed properties. At December 31, 2010 the outstanding balance of the loan was \$45,000.

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