

Berrien County  
Land Bank  
Authority

(a Component Unit of the  
County of Berrien, Michigan)



Year Ended  
December 31,  
2011

Financial  
Statements

# BERRIEN COUNTY LAND BANK AUTHORITY

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**INDEPENDENT AUDITORS' REPORT**

June 29, 2012

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

We have audited the accompanying 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, 2011, 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 respective financial position of the Berrien County Land Bank Authority as of December 31, 2011, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# BERRIEN COUNTY LAND BANK AUTHORITY

## 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, 2011. 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 \$29,717 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.

	Net Assets	
	2011	2010
Current assets	\$ 177,022	\$ 142,437
Long-term liabilities outstanding	45,000	45,000
Other liabilities	102,305	84,308
Total liabilities	147,305	129,308
Net assets, unrestricted	\$ 29,717	\$ 13,129

When comparing the current fiscal year to the previous fiscal year, net assets have increased by \$16,588. The key factor in the increase was administration cost reimbursements from the Neighborhood Stabilization Program grant.

# BERRIEN COUNTY LAND BANK AUTHORITY

## Management's Discussion and Analysis

	Change in Net Assets	
	2011	2010
<b>Revenues</b>		
Program revenue		
Capital grants and contributions	\$ 1,984,888	\$ 373,063
Operating grants and contributions	102,759	25,842
General revenue		
Unrestricted investment earnings	425	127
<b>Total revenues</b>	<u>2,088,072</u>	<u>399,032</u>
<b>Expenses</b>		
Community development	<u>2,071,484</u>	<u>383,568</u>
<b>Change in net assets</b>	16,588	15,464
Net assets (deficit), beginning of year	<u>13,129</u>	<u>(2,335)</u>
<b>Net assets, end of year</b>	<u>\$ 29,717</u>	<u>\$ 13,129</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.

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## BASIC FINANCIAL STATEMENTS

# BERRIEN COUNTY LAND BANK AUTHORITY

## Statement of Net Assets

December 31, 2011

### Assets

#### Current assets:

Cash and investments	\$ 116,522
Due from other governments	<u>60,500</u>

#### Total current assets

177,022

### Liabilities

#### Current liabilities:

Accounts payable	35,972
Unearned revenue	3,895
Due to other component unit	<u>62,438</u>

#### Total current liabilities

102,305

#### Long-term liabilities -

Advances from primary government	<u>45,000</u>
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#### Total liabilities

147,305

#### Net assets, unrestricted

\$ 29,717

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

# BERRIEN COUNTY LAND BANK AUTHORITY

## Statement of Revenue, Expenses and Changes in Fund Net Assets

For the Year Ended December 31, 2011

Operating revenue	
Capital grant and contributions	\$ 1,984,888
Operating grants and contributions	<u>102,759</u>
Total operating revenue	2,087,647
Operating expense	
Community development	<u>2,071,484</u>
Operating income	16,163
Nonoperating revenue	
Interest revenue	<u>425</u>
Change in net assets	16,588
Net assets, beginning of year	<u>13,129</u>
Net assets, end of year	<u><u>\$ 29,717</u></u>

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

# BERRIEN COUNTY LAND BANK AUTHORITY

## Statement of Cash Flows

For the Year Ended December 31, 2011

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 2,087,647
Cash payments to suppliers for goods and services	<u>(2,176,425)</u>
<b>Net cash used in operating activities</b>	(88,778)
<b>Cash flows from noncapital financing activities</b>	
Advance to other component unit	62,438
<b>Cash flows from investing activities</b>	
Interest received	<u>425</u>
<b>Net change in cash and investments</b>	(25,915)
Cash and investments, beginning of year	<u>142,437</u>
<b>Cash and investments, end of year</b>	<u><u>\$ 116,522</u></u>
<b>Reconciliation of operating income to net cash used in operating activities</b>	
Operating income	\$ 16,163
Adjustments to reconcile operating income to net cash used in operating activities:	
Change in due from other governments	(60,500)
Change in accounts payable	34,722
Change in unearned revenue	<u>(79,163)</u>
<b>Net cash used in operating activities</b>	<u><u>\$ (88,778)</u></u>

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

## NOTES TO FINANCIAL STATEMENTS

# BERRIEN COUNTY LAND BANK AUTHORITY

## Notes To Financial Statements

### 1. 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.

#### 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.

#### *Measurement Focus, Basis of Accounting, and Financial Statement 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.

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.

#### 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.

# BERRIEN COUNTY LAND BANK AUTHORITY

## ■ Notes To Financial Statements

*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. The Authority did not hold any property for this purpose at year end.

## 2. 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 \$116,522. 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.

## 3. 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, 2011 the outstanding balance of the loan was \$45,000.

## 4. DUE TO OTHER COMPONENT UNIT

The amount reported as due to other component unit represents \$62,438 in administrative fees due to the Economic Development Corporation for services on the Neighborhood Stabilization Program grant.



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