

**BERRIEN COUNTY BROWNFIELD
REDEVELOPMENT 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
BROWNFIELD REDEVELOPMENT AUTHORITY**

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INDEPENDENT AUDITORS' REPORT

June 29, 2011

Board of Directors of the
Berrien County Brownfield Redevelopment Authority
St. Joseph, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the ***Berrien County Brownfield Redevelopment Authority (the "Authority")***, a ***discretely presented component unit of the County of Berrien, Michigan***, as of and for the year ended December 31, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Berrien County Brownfield Redevelopment Authority as of December 31, 2010, and the respective changes in financial position thereof, 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'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Berrien County Brownfield Redevelopment Authority (the "Authority") is a discretely presented component unit of the County of Berrien, Michigan, and was established on January 13, 2000, pursuant to Public Act 381 of 1996. The Authority presents this management 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 Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. The basic financial statements are comprised of the *statement of net assets and governmental fund balance sheet*, the *statement of activities and governmental fund revenue, expenditures and changes in fund balances*, the *statement of revenue, expenditures and changes in fund balance – budget and actual general fund*, and the *notes to the basic financial statements*.

- The *statement of net assets and governmental funds balance sheet* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as fund balance and net assets. Over time, increase or decreases in fund balance and net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *statement of activities and governmental fund revenues, expenditures and changes in fund balances* presents information showing how the Authority's fund balance and net assets changed during the most recent year.
- The *statement of revenue, expenditures and changes in fund balance – budget and actual general fund* presents information comparing the original and final budgeted revenues and expenditures to the actual revenues and expenditures that occurred during the 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 \$389,316 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 Brownfield Redevelopment Authority's Net Assets

	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 3,573,692	\$ 3,682,134
Long-term liabilities outstanding	1,999,608	1,999,608
Other liabilities	<u>1,184,768</u>	<u>1,450,000</u>
Total liabilities	<u>3,184,376</u>	<u>3,449,608</u>
Net assets:		
Unrestricted	<u>389,316</u>	<u>232,526</u>
Total net assets	<u>\$ 389,316</u>	<u>\$ 232,526</u>

When comparing the current fiscal year to the previous fiscal year, net assets have increased by \$156,790 (67.4 percent). A key factor in increase was forgiveness of \$300,000 in other liabilities to the General Fund of the County, which is shown as operating grants and contributions below.

Berrien County Brownfield Redevelopment Authority's Change in Net Assets

	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenue:		
Charges for services	\$ 6,000	\$ 177,063
Operating grants and contributions	456,963	95,562
General revenue:		
Property taxes	<u>147,273</u>	<u>62,962</u>
Total revenues	<u>610,236</u>	<u>335,587</u>
Expenses:		
Health and welfare	<u>453,446</u>	<u>347,575</u>
Increase (decrease) in net assets	156,790	(11,988)
Net assets, beginning of year	<u>232,526</u>	<u>244,514</u>
Net assets, end of year	<u>\$ 389,316</u>	<u>\$ 232,526</u>

Budgetary Highlights

The General Fund budgeted for a decrease in fund balance of \$151,042, however there was an actual increase in fund balance of \$156,790. Significant changes in budgetary variances are as follows:

- Debt forgiveness of \$300,000 to the general government resulting in a favorable budgetary variance.
- Lower than budgeted grant revenue offset by lower expenditures.
- Lower than budgeted interest revenue of \$3,808 created by poorer than anticipated interest rates.
- Lower than budgeted taxes from tax increment financing activities of \$3,374.
- Charges for services unfavorable budgetary variance of \$7,500.
- Expenditures favorable budgetary variance of \$23,490.

Capital Assets and Debt Administration

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

Long-term debt. At the end of the current fiscal year, the Authority had total outstanding long-term debt of \$1,999,608. The debt is in the form of loans payable to the State of Michigan for State and Federal loans related to the Harbor Shores site remediation. Repayment of these loans is to be made from tax increment financing revenue along with payments from Harbor Shores for an outstanding note receivable.

Berrien County Brownfield Redevelopment Authority's Outstanding Debt

	<u>2010</u>	<u>2009</u>
Loans payable	<u>\$ 1,999,608</u>	<u>\$ 1,999,608</u>

Additional information on the Authority's long-term debt can be found in detail in the accompanying notes of this report on page 10.

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 Brownfield Redevelopment Authority, 701 Main Street, Saint Joseph, Michigan 49085-1316.

BASIC FINANCIAL STATEMENTS

Berrien County
Brownfield Redevelopment Authority Component Unit
Statement of Net Assets and
Governmental Fund Balance Sheet
December 31, 2010

	Governmental Fund	Adjustments	Statement of Net Assets
Assets			
Cash and investments	\$ 790,426	\$ -	\$ 790,426
Due from other governments	2,262,203	-	2,262,203
Notes receivable	521,063	-	521,063
Total assets	<u>\$ 3,573,692</u>	<u>-</u>	<u>3,573,692</u>
Liabilities			
Accounts payable	\$ 34,768	-	34,768
Advances from other component unit	1,150,000	-	1,150,000
Deferred revenue	171,063	(171,063)	-
Long-term debt, due in more than one year	-	1,999,608	1,999,608
Total liabilities	1,355,831	1,828,545	3,184,376
Fund balances			
Unreserved, undesignated	2,217,861	(2,217,861)	-
Total liabilities and fund balances	<u>\$ 3,573,692</u>		
Net assets			
Unrestricted		<u>\$ 389,316</u>	<u>\$ 389,316</u>

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

Berrien County
Brownfield Redevelopment Authority Component Unit
Statement of Activities and
Governmental Fund Revenue, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2010

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenue			
Taxes	\$ 147,273	\$ -	\$ 147,273
Charges for services	6,000	-	6,000
Operating grants and contributions	456,963	-	456,963
	<hr/>	<hr/>	<hr/>
Total revenue	610,236	-	610,236
Expenditures / expenses			
Health and welfare	453,446	-	453,446
	<hr/>	<hr/>	<hr/>
Change in fund balance / net assets	156,790	-	156,790
Fund balances / net assets			
Beginning of year	2,061,071	(1,828,545)	232,526
	<hr/>	<hr/>	<hr/>
End of year	<u>\$ 2,217,861</u>	<u>\$ (1,828,545)</u>	<u>\$ 389,316</u>

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

Berrien County
Brownfield Redevelopment Authority Component Unit
Statement of Revenue, Expenditures
and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Revenue				
Taxes	\$ 84,000	\$ 143,899	\$ 147,273	\$ 3,374
Charges for services	13,500	13,500	6,000	(7,500)
Operating grants and contributions	<u>133,000</u>	<u>349,984</u>	<u>456,963</u>	<u>106,979</u>
Total revenues	230,500	507,383	610,236	102,853
Expenditures				
Health and welfare	<u>230,500</u>	<u>658,425</u>	<u>453,446</u>	<u>(204,979)</u>
Net change in fund balance	-	(151,042)	156,790	307,832
Fund balance, beginning of year	<u>2,061,071</u>	<u>2,061,071</u>	<u>2,061,071</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 2,061,071</u></u>	<u><u>\$ 1,910,029</u></u>	<u><u>\$ 2,217,861</u></u>	<u><u>\$ 307,832</u></u>

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

NOTES to FINANCIAL STATEMENTS

**BERRIEN COUNTY
BROWNFIELD REDEVELOPMENT AUTHORITY**

Notes To Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – These financial statements present the activities of the Berrien County Brownfield Redevelopment Authority (the “Authority”). The Authority was established on January 13, 2000, pursuant to Public Act 381 of 1996. The primary purpose of the Authority is to revitalize environmentally contaminated properties in Berrien County. The Authority’s activities are primarily funded through grants.

The Authority is a component unit of Berrien County, Michigan (the “County”) because the County appoints the Authority’s Board of Directors, it has the ability to significantly influence the Authority’s operations, and it is financially accountable for the Authority as defined under GASB Statement No. 14, *The Financial Reporting Entity*. Accordingly, the Authority is presented as a discrete component unit in the County’s financial statements and is an integral part of that reporting entity.

Government-wide and Fund Financial Statements – As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

**BERRIEN COUNTY
BROWNFIELD REDEVELOPMENT AUTHORITY**

Notes To Basic Financial Statements

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports a single major governmental fund, which is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund, if any.

2. POOLED CASH AND INVESTMENTS

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 \$790,426. 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. DUE FROM OTHER GOVERNMENTS

Amounts reported as due from other governments represent state and federal receivables from the Harbor Shores Infrastructure Project.

4. NOTES RECEIVABLE/DEFERRED REVENUE

The Authority has entered into an agreement to advance funds to a local business in the amount of \$925,000 at the prime rate plus 1% (effective rate of 4.25% at December 31, 2010). Notes receivable are reported at an amount equal to the outstanding principal. As of December 31, 2010, the County was in the process of foreclosure on the collateral related to the notes receivable outstanding balance of \$501,042 and setup an allowance of \$151,042 to reduce the receivable to the estimated fair value of the collateral.

The Authority also entered into an agreement with a local village for reimbursement to the Authority for the purchase of land in the amount of \$189,785 at a rate of 0%. As of December 31, 2010, \$171,063 of the principal payment was outstanding. Of this balance, \$11,279 is expected to be collected within one year. The entire balance of this loan is deferred as future payments are not considered to be available.

5. ADVANCES FROM OTHER COMPONENT UNIT

The amount reported as advances from other component unit represents a \$1,150,000 loan from the Berrien County Economic Development Corporation. This loan is interest free and has no specified repayment terms.

**BERRIEN COUNTY
BROWNFIELD REDEVELOPMENT AUTHORITY**

Notes To Basic Financial Statements

6. LONG-TERM DEBT

The Authority has issued long-term debt to finance the rehabilitation of contaminated land parcels. Such bonds are to be repaid from a property tax capture once the project is complete.

The Authority has the following bond issues outstanding:

	<u>Due</u>	<u>Installments</u>	<u>Interest Rate</u>	<u>Amount</u>
2007 DEQ Cleanup Revolving Fund Loan	2021	\$91,291 - \$109,101	0.00% - 2.00%	\$ 999,608
2007 Michigan Cleanup Initiative Loan	2022	\$82,178 - \$100,174	0.00% - 2.00%	<u>1,000,000</u>
				<u>\$ 1,999,608</u>

Annual debt service requirements to maturity for long-term debt are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ -	\$ -
2012	191,465	19,992	211,457
2013	175,295	36,163	211,458
2014	178,801	32,657	211,458
2015	182,376	29,081	211,457
2016-2020	968,076	89,212	1,057,288
2020-2022	<u>303,595</u>	<u>8,036</u>	<u>311,631</u>
Total	<u>\$ 1,999,608</u>	<u>\$ 215,141</u>	<u>\$ 2,214,749</u>

The following is a summary of changes in long-term obligation transactions for the year ended December 31, 2010:

Total debt outstanding - January 1, 2010	\$ 1,999,608
Less principal payments	<u>-</u>
Total debt outstanding - December 31, 2010	<u>\$ 1,999,608</u>
Due within one year	<u>\$ -</u>

**BERRIEN COUNTY
BROWNFIELD REDEVELOPMENT AUTHORITY**

Notes To Basic Financial Statements

7. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental funds balance sheet and the government-wide statement of net assets, which reconciles fund balances to net assets:

Fund balance	\$ 2,217,861
Adjustments:	
Notes receivable do not represent current financial resources and therefore are deferred in governmental funds	171,063
Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	<u>(1,999,608)</u>
Net assets	<u>\$ 389,316</u>

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