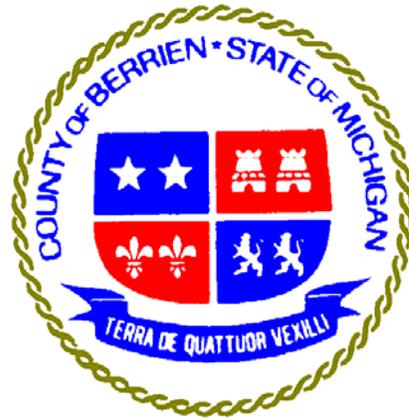


Berrien County
Brownfield
Redevelopment
Authority
(a Component Unit of the
County of Berrien, Michigan)



Year Ended
December 31, 2012

Financial
Statements

BERRIEN COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

July 1, 2013

Honorable Members
Berrien County Brownfield Redevelopment Authority Board
St. Joseph, Michigan

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Berrien County Brownfield Redevelopment Authority as of December 31, 2012, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2013 on our consideration of the County of Berrien's internal control over financial reporting and on 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* in considering the Authority's internal control over financial reporting and compliance.



MANAGEMENT'S DISCUSSION AND ANALYSIS

BERRIEN COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

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, 2012. 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 position and governmental fund balance sheet*, the *statement of activities and governmental fund revenues, expenditures and changes in fund balance*, the *statement of revenues, expenditures and changes in fund balance - budget and actual general fund*, and the *notes to the basic financial statements*.

The *statement of net position and governmental fund 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 position. Over time, increase or decreases in fund balance and net position 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 balance* presents information showing how the Authority's fund balance and net position changed during the most recent year.

The *statement of revenues, 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 position of the Authority are summarized for the purpose of determining the overall fiscal position. In the case of the Authority, assets exceeded liabilities by \$524,970 at the end of the fiscal year. At the end of the fiscal year, \$211,525 of the Authority's net position was considered to be restricted, while \$313,445 was unrestricted, which is available for spending at the government's discretion.

BERRIEN COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

Management's Discussion and Analysis

	Net Position	
	2012	2011
Current and other assets	\$ 3,601,360	\$ 3,876,825
Long-term liabilities outstanding	1,808,476	1,999,608
Other liabilities	1,181,085	1,206,815
Total liabilities	2,989,561	3,206,423
Net position		
Restricted for debt service	211,525	-
Unrestricted	313,445	670,402
Total net position	\$ 524,970	\$ 670,402

When comparing the current fiscal year to the previous fiscal year, net position decreased by \$145,432 or 21.7 percent. A key factor in this decrease was tax increment financing contributions net of distributions, including bond payments, of \$107,442.

	Change in Net Position	
	2012	2011
Revenues		
Program revenue		
Charges for services	\$ 7,500	\$ 7,500
Operating grants and contributions	195,332	620,453
General revenue		
Property taxes	331,363	547,823
Total revenues	534,195	1,175,776
Expenses		
Health and welfare	679,627	894,690
Change in net position	(145,432)	281,086
Net position:		
Beginning of year	670,402	389,316
End of year	\$ 524,970	\$ 670,402

BERRIEN COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Budgetary Highlights

The General Fund budgeted for a \$6,800 increase in fund balance; however, there was an actual decrease in fund balance of \$282,306. Significant budgetary variances are as follows:

- Grant revenue unfavorable budgetary variance of \$153,906.
- Tax revenue unfavorable budgetary variance of \$9,767.
- Health and welfare expenditures unfavorable budgetary variance of \$136,609.

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 \$1,808,476. 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.

	Outstanding Debt	
	2012	2011
Loans payable	<u>\$ 1,808,476</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 in Note 6.

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

Statement of Net Position and Governmental Fund

Balance Sheet
December 31, 2012

	Governmental Fund	Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 1,039,920	\$ -	\$ 1,039,920
Taxes receivable	86,830	-	86,830
Due from other governments	249,751	-	249,751
Notes receivable	2,224,859	-	2,224,859
Total assets	\$ 3,601,360	-	3,601,360
Liabilities			
Accounts payable	\$ 10,030	-	10,030
Accrued interest payable	-	21,055	21,055
Advance from other component unit	1,150,000	-	1,150,000
Long-term liabilities:			
Due in less than one year	-	175,355	175,355
Due in more than one year	-	1,633,121	1,633,121
Total liabilities	1,160,030	1,829,531	2,989,561
Deferred inflow of resources			
Unavailable revenue - notes receivable	66,776	(66,776)	-
Taxes levied for a subsequent period	86,829	-	86,829
Total deferred inflow of resources	153,605	(66,776)	86,829
Fund balance			
Nonspendable	2,158,083	(2,158,083)	-
Unassigned	129,642	(129,642)	-
Total fund balance	2,287,725	(2,287,725)	-
Total liabilities, deferred inflow of resources and fund balance	\$ 3,601,360		
Net position			
Restricted for debt service		211,525	211,525
Unrestricted		313,445	313,445
Total net position		\$ 524,970	\$ 524,970

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

BERRIEN COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

Statement of Activities and Governmental Fund

Revenues, Expenditures and Changes in Fund Balance

For the Year Ended December 31, 2012

	Governmental Fund	Adjustments	Statement of Activities
Expenditures / expenses			
Health and welfare	\$ 659,847	\$ 19,780	\$ 679,627
Debt service -			
Principal	191,524	(191,524)	-
Total expenditures / expenses	<u>851,371</u>	<u>(171,744)</u>	<u>679,627</u>
Program revenues			
Charges for services	7,500	-	7,500
Operating grants and contributions	195,332	-	195,332
Total program revenues	<u>202,832</u>	<u>-</u>	<u>202,832</u>
Net expense	(648,539)	(171,744)	(476,795)
General revenue			
Taxes	<u>366,233</u>	<u>(34,870)</u>	<u>331,363</u>
Change in fund balance / net position	(282,306)	(206,614)	(145,432)
Fund balance / net position, beginning of year	<u>2,570,031</u>	<u>(1,899,629)</u>	<u>670,402</u>
Fund balance / net position, end of year	<u><u>\$ 2,287,725</u></u>	<u><u>\$ (2,106,243)</u></u>	<u><u>\$ 524,970</u></u>

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

BERRIEN COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 271,000	\$ 376,000	\$ 366,233	\$ (9,767)
Charges for services	-	7,500	7,500	-
Intergovernmental	1,006,918	349,238	195,332	(153,906)
Total revenues	<u>1,277,918</u>	<u>732,738</u>	<u>569,065</u>	<u>(163,673)</u>
Expenditures				
Health and welfare	1,285,418	523,238	659,847	136,609
Debt service	-	202,700	191,524	(11,176)
Total expenditures / expenses	<u>1,285,418</u>	<u>725,938</u>	<u>851,371</u>	<u>125,433</u>
Change in fund balances	(7,500)	6,800	(282,306)	(289,106)
Fund balances				
Beginning of year	<u>2,570,031</u>	<u>2,570,031</u>	<u>2,570,031</u>	<u>-</u>
End of year	<u>\$ 2,562,531</u>	<u>\$ 2,576,831</u>	<u>\$ 2,287,725</u>	<u>\$ (289,106)</u>

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

NOTES TO FINANCIAL STATEMENTS

BERRIEN COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

Notes To 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 Position 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.

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.

BERRIEN COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

Notes To Financial Statements

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. For the year ended December 31, 2012, the government incurred expenditures of \$851,371 which was \$125,433 in excess of the amount appropriated of \$725,938 in the general fund.

3. 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 \$1,039,920. 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.

4. DUE FROM OTHER GOVERNMENTS

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

5. NOTES RECEIVABLE

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, 2012). Notes receivable are reported at an amount equal to the outstanding principal. As of December 31, 2012, the Authority 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 a TIF Reimbursement with a Township for reimbursement to the Authority of Brownfield eligible expenses of \$189,795 at a rate of 0%. As of December 31, 2012, \$66,766 of the principal payment was outstanding. Of the balance, \$30,000 is expected to be collected within one year. The entire balance of the loan is considered to be not available.

The Authority also entered into an agreement with Harbor Shores Development Inc., in the amount of \$1,999,608 to pay debt service requirements on a loan from the Department of Environmental Quality and the United State Environmental Protection Agency to assist with the cleanup and redevelopment of certain parcel of properties within the Harbor Shores Redevelopment project. As of December 31, 2012, the principal balance outstanding amounts to \$1,808,476.

6. 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 Financial Statements

7. 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:

Bonds	Due	Annual	Interest Rate	Amount
2007 DEQ Cleanup Revolving Fund Loan	2021	\$91,350-\$108,915	0.00% - 2.00%	\$ 908,650
2007 Michigan Cleanup Initiative Loan	2022	\$82,178-\$100,174	0.00% - 2.00%	899,826
Total general obligation bonds				\$ 1,808,476

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

Year Ended	Principal	Interest	Total
2013	\$ 175,355	\$ 36,170	\$ 211,525
2014	178,863	32,662	211,525
2015	182,439	29,086	211,525
2016	186,088	25,437	211,525
2017	189,810	21,714	211,524
2018-2022	895,921	50,094	946,015
	<u>\$ 1,808,476</u>	<u>\$ 195,163</u>	<u>\$ 2,003,639</u>

During the year ended December 31, 2012, the County did not make any draws against the Clean Water State Revolving Fund bonds. As the County's total disbursements were less than the amount approved by the State of Michigan, the amount of regular principal as well as the amount of ARRA loan forgiveness to be repaid was adjusted. The County's total regular principal increased \$392 during the year to reflect the total ARRA principal that is repayable. The total amount authorized under this issue is \$1,000,000. The total amount drawn for the year ended December 31, 2012 was \$1,000,000.

The following is a summary of changes in long term obligation transactions for the year ended December 31, 2012:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 1,999,608	\$ 392	\$ 191,524	\$ 1,808,476	\$ 175,355

BERRIEN COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

Notes To Financial Statements

8. ADJUSTMENTS

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

Fund balance	\$ 2,287,725
Adjustments:	
Bonds payable are not due and payable in the current period and therefore not reported in the governmental fund	(1,808,476)
Interest payable is not due and payable in current period, and therefore not reported in the governmental fund	(21,055)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the fund	<u>66,776</u>
Net position	<u><u>\$ 524,970</u></u>

Following is an explanation of the adjustments between the governmental fund statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities, which reconciles the net change in fund balance to the change in net position:

Net change in fund balance	\$ (282,306)
Change in accrued interest on bonds payable	(19,780)
Revenues in the statement of activities that do not provide <i>current</i> financial resources are not reported as revenue in the fund, but rather are deferred to the following fiscal year	(34,870)
Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	<u>191,524</u>
Change in net position	<u><u>\$ (145,432)</u></u>

