

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



St. Joseph, Michigan

Basic Financial Statements

For the Year Ended December 31, 2009

BERRIEN COUNTY LAND BANK AUTHORITY

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INDEPENDENT AUDITORS' REPORT

June 28, 2010

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 Berrien County, Michigan, as of and for the year ended December 31, 2009, 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, 2009, 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.

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2010, 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.

The Authority has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



BASIC FINANCIAL STATEMENTS

COUNTY OF BERRIEN, MICHIGAN
Land Bank Authority Component Unit
Statement of Net Assets
December 31, 2009

Assets	
Cash and investments	\$ 28,730
Property inventory	<u>18,935</u>
Total assets	47,665
Liabilities	
Advances from primary government	<u>50,000</u>
Net deficit, unrestricted	<u><u>\$ (2,335)</u></u>

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

COUNTY OF BERRIEN, MICHIGAN
Land Bank Authority Component Unit
Statement of Revenue, Expenses
and Changes in Fund Net Assets
For the Year Ended December 31, 2009

Operating revenue		
Interest on loans		\$ 8,175
Operating expense		
Community development		<u>10,633</u>
Operating loss		(2,458)
Nonoperating revenue		
Interest revenue		<u>123</u>
Change in net assets		(2,335)
Net assets, beginning of year		<u>-</u>
Net deficit, end of year		<u><u>\$ (2,335)</u></u>

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

COUNTY OF BERRIEN, MICHIGAN
Land Bank Authority Component Unit
Statement of Cash Flows
For the Year Ended December 31, 2009

Cash flows from operating activities	
Cash received from customers	\$ 8,175
Cash payments to suppliers for goods and services	<u>(29,568)</u>
Net cash used by operating activities	(21,393)
Cash flows from noncapital financing activities	
Advance from primary government	50,000
Cash flows from investing activities	
Investment received	<u>123</u>
Net increase in cash and cash equivalents	28,730
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 28,730</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating loss	\$ (2,458)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in property inventory	<u>(18,935)</u>
Net cash used by operating activities	<u><u>\$ (21,393)</u></u>

The accompanying notes are an integral part of these 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 Berrien County 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 County 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

The Authority follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

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.

BERRIEN COUNTY LAND BANK AUTHORITY

Notes To Basic Financial Statements

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 \$28,730. 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.

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.

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