

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



Year Ended
December 31, 2017

Financial
Statements

BERRIEN COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

June 27, 2018

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, 2017, 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.

Independent Auditors' Responsibility

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 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 auditor 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Berrien County Brownfield Redevelopment Authority as of December 31, 2017, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, under a separate cover, our report dated June 27, 2018, 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's discussion and analysis of its financial performance as an overview of financial activities for the fiscal year ended December 31, 2017. 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 residual reported as fund balance / net position. Over time, increases or decreases in fund balance / 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 / 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 is summarized for the purpose of determining the overall financial position. In the case of the Authority, assets exceeded liabilities by \$1,095,974 at the end of the fiscal year, all of which was considered restricted.

BERRIEN COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

Management's Discussion and Analysis

A comparative analysis of the data is presented below:

	Net Position	
	2017	2016
Assets		
Current and other assets	\$ 1,495,974	\$ 3,701,033
Liabilities		
Long-term debt	-	1,151,706
Other liabilities	400,000	669,458
Total liabilities	400,000	1,821,164
Net position		
Restricted	\$ 1,095,974	\$ 1,879,869

When comparing the current fiscal year to the previous fiscal year, net position decreased by \$783,895 or 41.7 percent. A key factor in this decrease is a contribution from primary government for remediation of the Mercy Center property, received in 2016, in the amount of \$723,971.

	Change in Net Position	
	2017	2016
Revenues		
Program revenues:		
Charges for services	\$ 6,000	\$ 90
Operating grants and contributions	62,330	1,652,152
General revenues:		
Property taxes	918,250	995,112
Interest revenue	62	-
Total revenues	986,642	2,647,354
Expenses		
Health and welfare	1,757,702	1,875,571
Interest and fiscal charges	12,835	24,600
Total expenses	1,770,537	1,900,171
Change in net position	(783,895)	747,183
Net position:		
Beginning of year	1,879,869	1,132,686
End of year	\$ 1,095,974	\$ 1,879,869

BERRIEN COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Budgetary Highlights

The general fund budgeted for a \$712,552 decrease in fund balance; however, there was an actual decrease in fund balance of \$1,945,800. Significant budgetary variances are as follows:

- Tax revenue was lower than budgeted by \$211,750 driven by less than anticipated Harbor Shores TIFA collections.
- Debt forgiveness by MDEQ and Harbor Shores debt repayment budgeted current year revenue in the amount of \$983,183 rather than a decrease in notes receivable. The adjusting entry to revenue was made.
- Capital contributions required were lower than budgeted by \$67,670 driven by Mercy Center remediation timing.
- Health and welfare expenditures were lower than budgeted by \$27,476.

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 no outstanding long-term debt. The previous debt was 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 were made from tax increment financing revenue along with payments from Harbor Shores for an outstanding note receivable.

	Outstanding Debt	
	2017	2016
Loans payable	\$ -	\$ 1,151,706

Additional information on the Authority's long-term debt can be found in the notes to financial statements.

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, 2017

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 1,495,974	\$ -	\$ 1,495,974
Liabilities			
Advance from other component unit	\$ 400,000	-	400,000
Fund balance			
Restricted	1,095,974	(1,095,974)	-
Total liabilities and fund balance	<u>\$ 1,495,974</u>		
Net position			
Restricted for brownfield projects		<u>\$ 1,095,974</u>	<u>\$ 1,095,974</u>

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, 2017

	General Fund	Adjustments	Statement of Activities
Expenditures / expenses			
Health and welfare	\$ 1,757,702	\$ -	\$ 1,757,702
Debt service:			
Principal	1,151,706	(1,151,706)	-
Interest and fiscal charges	23,034	(10,199)	12,835
Total expenditures / expenses	<u>2,932,442</u>	<u>(1,161,905)</u>	<u>1,770,537</u>
Program revenues			
Charges for services	6,000	-	6,000
Operating grants and contributions	62,330	-	62,330
Total program revenues	<u>68,330</u>	<u>-</u>	<u>68,330</u>
Net expense	<u>(2,864,112)</u>	<u>1,161,905</u>	<u>(1,702,207)</u>
General revenues			
Property taxes	918,250	-	918,250
Interest revenue	62	-	62
Total general revenues	<u>918,312</u>	<u>-</u>	<u>918,312</u>
Change in fund balance / net position	(1,945,800)	1,161,905	(783,895)
Fund balance / net position, beginning of year	<u>3,041,774</u>	<u>(1,161,905)</u>	<u>1,879,869</u>
Fund balance / net position, end of year	<u>\$ 1,095,974</u>	<u>\$ -</u>	<u>\$ 1,095,974</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, 2017

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 13,500	\$ 13,500	\$ 6,000	\$ (7,500)
Operating grants and contributions	130,000	130,000	62,330	(67,670)
Property taxes	1,130,000	1,130,000	918,250	(211,750)
Intergovernmental revenue	-	200,000	-	(200,000)
Interest revenue	500	500	62	(438)
Other revenue	-	783,183	-	(783,183)
Total revenues	1,274,000	2,257,183	986,642	(1,270,541)
Expenditures				
Health and welfare	1,072,990	1,785,128	1,757,702	(27,426)
Debt service:				
Principal	189,810	1,161,573	1,151,706	(9,867)
Interest and fiscal charges	11,615	23,034	23,034	-
Total expenditures	1,274,415	2,969,735	2,932,442	(37,293)
Change in fund balance	(415)	(712,552)	(1,945,800)	(1,233,248)
Fund balance				
Beginning of year	3,041,774	3,041,774	3,041,774	-
End of year	\$ 3,041,359	\$ 2,329,222	\$ 1,095,974	\$ (1,233,248)

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 and captured property tax revenues.

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. 61, *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 Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance. The major individual governmental fund is reported as a separate column 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, the general fund, which is the Authority's primary operating fund. It accounts for all financial resources of the Authority.

BERRIEN COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

Notes to Financial Statements

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the fund. All annual appropriations lapse at year end. The legal level of budgetary control is at the department level. The Board made several supplemental budgetary revisions throughout the year which were not considered material.

The annual budgeting process begins in July of each year. The Authority submits budget requests/recommendations to the responsible parent committee (i.e., Finance, Personnel, Administration) for approval. Once approved, the Authority is part of a budget hearing with the Finance Committee by the second Tuesday in September. The County Administrator tabulates a budget overview, including recommendations, for the Finance Committee to adjust and approve a final budget. Following truth in taxation hearings, the final budget is submitted to the Board of Commissioners for adoption. The Board has until December 31 to adopt the budget, although it normally targets mid-November.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

State statutes provide that a local unit shall not incur expenditures in excess of the amounts appropriated. The approved budget of the Authority was adopted on a department level basis.

The County did not incur any amounts in excess of appropriations.

4. 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 \$1,495,974. 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.

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 U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances and mutual funds composed of otherwise legal investments.

5. ADVANCES FROM OTHER COMPONENT UNIT

The amount reported as advances from other component unit represents a \$400,000 loan from the Berrien County Economic Development Corporation. This loan is interest free and has no specified repayment terms. The initial advance to the Authority was in the amount of \$1,150,000. During the fiscal year, the Authority made no payments on the advance to the County.

BERRIEN COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY

Notes to Financial Statements

6. LONG-TERM DEBT

The Authority issued long-term debt to finance the rehabilitation of contaminated land parcels. Such loans were repaid in advance of originally scheduled payments in the current year using available captured property tax revenues.

The following is a summary of changes in long-term obligation transactions for the year ended December 31, 2017:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Loans payable	\$ 1,151,706	\$ -	\$ 1,151,706	\$ -	\$ -

7. ADJUSTMENTS

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	\$ (1,945,800)
Change in accrued interest on bonds payable	10,199
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>1,151,706</u>
Change in net position	<u>\$ (783,895)</u>

