

Berrien County Land
Bank Authority
(a Component Unit of the
County of Berrien, Michigan)



Year Ended
December 31, 2019

Financial
Statements

BERRIEN COUNTY LAND BANK AUTHORITY

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Fund Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements	10



INDEPENDENT AUDITORS' REPORT

June 12, 2020

Honorable Members
Berrien County Land Bank Authority
St. Joseph, Michigan**Report on the Financial Statements**

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, 2019, 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 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 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 entity'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 Land Bank Authority as of December 31, 2019, and the changes in financial position and cash flows thereof 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 separate cover, our report dated June 12, 2020, 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 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.

The image shows a handwritten signature in black ink that reads "Lehmann Johnson LLC". 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, 2019. 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 position*, the *statement of revenues, expenses and change in fund net position*, the *statement of cash flows* and the *notes to the financial statements*.

The *statement of net position* presents information on all the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 fund net position* presents information showing how the Authority's net position 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 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 fiscal position. In the case of the Authority, assets exceeded liabilities by \$493,877 at the end of the fiscal year. The net position of the Authority is considered *unrestricted*, which is available for spending at the Authority's discretion.

A comparative analysis of the data is presented below:

	Net Position	
	2019	2018
Assets		
Current assets	\$ 538,877	\$ 96,554
Liabilities		
Long-term liabilities outstanding	45,000	45,000
Other liabilities	-	2,297
Total liabilities	<u>45,000</u>	<u>47,297</u>
Net position, unrestricted	<u>\$ 493,877</u>	<u>\$ 49,257</u>

BERRIEN COUNTY LAND BANK AUTHORITY

Management's Discussion and Analysis

When comparing the current fiscal year to the previous fiscal year, the Authority's net position increased by \$444,620. The primary factor for the increase was revenue from rentals and from the sale of all NSP2 properties that were held by the Authority. All other property sales and revenues from operations met the ongoing operating and maintenance costs on property held by the Authority.

	Change in Net Position	
	2019	2018
Revenues		
Program revenues:		
Property sales	\$ 456,830	\$ 26,779
Rental income	13,750	-
General revenues:		
Property taxes	5,765	17,367
Interest revenue	1,745	552
Total revenues	478,090	44,698
Expenses		
Community development	33,470	39,891
Change in net position	444,620	4,807
Net position, beginning of year	49,257	44,450
Net position, end of year	\$ 493,877	\$ 49,257

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 had 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.

BASIC FINANCIAL STATEMENTS

BERRIEN COUNTY LAND BANK AUTHORITY

Statement of Net Position

December 31, 2019

Assets

Current assets -

Cash and cash equivalents \$ 538,877

Liabilities

Noncurrent liabilities -

Advances from primary government 45,000

Net position, unrestricted

\$ 493,877

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

BERRIEN COUNTY LAND BANK AUTHORITY

Statement of Revenues, Expenses and Changes in Fund Net Position

For the Year Ended December 31, 2019

Operating revenues	
Property sales	\$ 456,830
Rental income	13,750
	<hr/>
Total operating revenues	470,580
Operating expenses	
Community development	33,470
	<hr/>
Operating income	437,110
	<hr/>
Nonoperating revenues	
Property taxes	5,765
Interest revenue	1,745
	<hr/>
Total nonoperating revenues	7,510
	<hr/>
Change in net position	444,620
Net position, beginning of year	49,257
	<hr/>
Net position, end of year	\$ 493,877
	<hr/> <hr/>

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, 2019

Cash flows from operating activities	
Cash received from customers	\$ 470,580
Cash payments to suppliers for goods and services	<u>(35,767)</u>
Net cash provided by operating activities	<u>434,813</u>
Cash flows from noncapital financing activities	
Property taxes received	5,765
Interest received	<u>1,745</u>
Net cash provided by noncapital financing activities	<u>7,510</u>
Net change in cash and cash equivalents	442,323
Cash and cash equivalents, beginning of year	<u>96,554</u>
Cash and cash equivalents, end of year	<u>\$ 538,877</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 437,110
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in accounts payable	<u>(2,297)</u>
Net cash provided by operating activities	<u>\$ 434,813</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 four year terms. To provide for staggered terms, two members shall be appointed for a term expiring May 22, 2020, one member shall be appointed for a term expiring May 22, 2021, one member shall be appointed for a term expiring May 22, 2022, and two members shall be appointed for a term expiring May 22, 2023. After the expiration of the initial terms, members appointed shall be appointed in the same manner as the original appointments but for terms of four 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 the County Treasurer's investment pool. 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, or purchase 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. These properties are acquired for intention of demolition resulting in a vacant lot that is sold to adjacent land owners for a nominal amount. The Authority has sold all properties resulting from the NSP2 program. The Authority holds one non-SNP property as of December 31, 2019, and the fair value is considered trivial.

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 \$538,877. 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, 2019, the outstanding balance of the loan was \$45,000.

4. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the government's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the government for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the government's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

