

**Genesee County Land Bank Authority  
Flint, Michigan  
(a component unit of Genesee County)**

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**Financial Report  
with Supplemental Information  
September 30, 2009**

# Genesee County Land Bank Authority

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## Independent Auditor's Report

To the Board  
Genesee County Land Bank Authority  
Flint, Michigan

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and each individual Enterprise Fund of The Genesee County Land Bank Authority (a component unit of Genesee County) as of and for the year ended September 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 business-type activities, the discretely presented component unit, and each individual Enterprise Fund of the Genesee County Land Bank Authority at September 30, 2009 and the respective changes in financial position and cash flows, where applicable, 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 is not a required 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 required supplementary information. However, we did not audit the information and express no opinion on it.

To the Board  
Genesee County Land Bank Authority

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Genesee County Land Bank Authority's basic financial statements. The other supplemental information section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplemental funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

March 29, 2010

# **Genesee County Land Bank Authority**

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## **Management's Discussion and Analysis**

As management of the Genesee County Land Bank Authority, we offer readers of the Genesee County Land Bank Authority's financial statements this narrative overview and analysis of the financial activities of the Genesee County Land Bank Authority for the fiscal year ended September 30, 2009. The Authority holds and owns in its name any property acquired by it or conveyed to it by the State, a foreclosing governmental unit, a local unit of government, an intergovernmental entity created under the laws of the State of Michigan, or any other public or private person, including, but not limited to, tax-reverted property and property with or without clear title. The Genesee County Land Bank Authority may hold, control, manage, maintain, operate, repair, lease as lessor, secure, prevent the waste or deterioration of, demolish, and take all other actions necessary to preserve the value of the property it holds or owns.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represent the most significant financial highlights for the year ended September 30, 2009:

- The Genesee County Land Bank Authority is a public body corporate organized pursuant to the Michigan Land Bank Fast Track Act, 2003 P.A. 258, MCL 124.751 - 124.774, and an intergovernmental agreement entered into between the Michigan Land Bank Fast Track Authority and the Treasurer of the County of Genesee, Michigan, dated December 7, 2004.
- Upon incorporation of the Genesee County Land Bank Authority, all tangible and intangible real and personal assets of the Genesee County Land Reutilization Council, Inc. were transferred to the Genesee County Land Bank Authority by quitclaim deed and by bill of sale, transfer, and assignment executed on behalf of the Genesee County Land Reutilization Council by its chairperson/director.
- The Genesee County Land Bank Authority relies on two main revenue sources to fund its core operations. The first are funds provided by Genesee County through the Land Reutilization Fund managed by the Genesee County Treasurer. The second is the sale of property held by the Genesee County Land Bank Authority.

# Genesee County Land Bank Authority

## Management's Discussion and Analysis (Continued)

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Genesee County Land Bank Authority as a whole.

### Business-type Activities

The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior year:

	2009	2008
<b>Assets</b>		
Current and other assets	\$ 4,475,200	\$ 5,139,796
Investment in joint venture	7,924,000	2,926,549
Capital assets	<u>15,251,157</u>	<u>17,283,519</u>
Total assets	27,650,357	25,349,864
<b>Liabilities</b>		
Current liabilities	2,345,421	4,048,286
Long-term liabilities	<u>4,352,076</u>	<u>4,029,729</u>
Total liabilities	<u>6,697,497</u>	<u>8,078,015</u>
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	9,337,031	12,808,754
Restricted	60,616	60,616
Unrestricted	<u>11,555,213</u>	<u>4,402,479</u>
Total net assets	<u><b>\$ 20,952,860</b></u>	<u><b>\$ 17,271,849</b></u>

# Genesee County Land Bank Authority

## Management's Discussion and Analysis (Continued)

	2009	2008
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 5,434,522	\$ 5,704,890
Operating grants and contributions	3,606,956	1,040,920
Capital grants and contributions	243,333	450,000
General revenue:		
Investment earnings	129,258	12,739
Genesee County appropriations	1,494,068	752,608
Developer fee	870,705	-
Tax credits and related fees	574,319	36,938
Total revenue	12,353,161	7,998,095
<b>Program Expenses - General expenses</b>	<u>8,672,150</u>	<u>4,179,508</u>
<b>Change in Net Assets</b>	3,681,011	3,818,587
<b>Net Assets - Beginning of year</b>	<u>17,271,849</u>	<u>13,453,262</u>
<b>Net Assets - End of year</b>	<u><b>\$ 20,952,860</b></u>	<u><b>\$ 17,271,849</b></u>

The Genesee County Land Bank Authority's business-type activities consist of the two proprietary funds, the Land Bank Authority Enterprise Fund and its blended component unit, GCLB - Berridge Place, LLC - Enterprise Fund.

The net assets of business-type activities increased 21.3 percent from a year ago - decreasing from \$17,271,849 to \$20,952,860.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - increased by \$7,152,734. The current level of unrestricted net assets stands at \$11,555,213, or about 75 percent of expenses. Included in unrestricted net asset is \$7,924,000 related to the Authority's equity in the Durant redevelopment project.

Revenue increased \$4,355,066 mainly due to approximately \$2,750,000 of grant funds for Durant project, developer fee \$870,705, tax credits issued related to Berridge of \$386,000 and an increase in Genesee County appropriations.

Program expenses increased by \$4,492,642, mainly due to approximately \$2.925 million loss recorded upon sale of a portion of the Great Lakes Technology Building, \$410,000 in repairs to the remaining Great Lakes Technology Building, and first year operating expenses for Berridge of \$489,000.

# Genesee County Land Bank Authority

## Management's Discussion and Analysis (Continued)

### The Genesee County Land Bank Authority's Funds

Our analysis of the Genesee County Land Bank Authority's Enterprise Funds begins on page 11, following the government-wide financial statements. The proprietary financial statements provide detail information about its two funds, not the Genesee County Land Bank Authority as a whole. The Genesee County Land Bank Authority Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities.

The Genesee County Land Bank Authority's Enterprise Funds reflect the monies received through sale of tax-foreclosed properties as well as government funds received through the Genesee County Treasurer's Land Reutilization Fund. These two sources make up the majority of the operating funds for core activities within the Genesee County Land Bank Authority.

### Capital Asset and Debt Administration

A significant portion of capital assets derives from the Genesee Business Center operated by the Genesee County Land Bank Authority. These sets of buildings are currently subject to a lease purchase agreement that can be exercised in fiscal year 2010. While no long-term debt is associated with the acquisition of this building, operational expenses have proved to be burdensome and sale of the property should ease this situation.

	Business-type Activities	
	2009	2008
Land	\$ 282,908	\$ 84,308
Construction in progress - Buildings	-	3,272,819
Assets being depreciated - Net of accumulated depreciation	<u>14,968,249</u>	<u>13,926,392</u>
Total	<u>\$ 15,251,157</u>	<u>\$ 17,283,519</u>

On a combined bases capital assets for Business Type Activities decreased \$2.032 million due to the sale of a certain portion of the Great Lakes Technology Building as well as current year depreciation, off set by an increase in capital assets for the rehabilitation of Berridge Place.

# **Genesee County Land Bank Authority**

## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budgets and Rates**

- The Genesee County Land Bank Authority relies on revenue streams provided through Genesee County Land Reutilization Funds and sales of property held by the Genesee County Land Bank Authority.
- The Genesee County Land Bank Authority expects to see funding from Genesee County to fluctuate from year to year. Appropriate adjustments are expected to be made to services to reflect these changes.
- Revenue from property sales is expected to continue at a comparative rate to the current fiscal year, but a noticeable slowing of market conditions warrants watching these revenues over the course of the fiscal year and making adjustments as may be necessary.
- Inflationary trends in the region will affect future expenditures.

### **Contacting the Genesee County Land Bank Authority's Management**

This financial report is intended to provide our citizens, customers, and investors with a general overview of the Genesee County Land Bank Authority's finances and to show the Genesee County Land Bank Authority's accountability for the money it receives. If you have questions about this report or need additional information, please address them to the Genesee County Land Bank at 452 S. Saginaw St., 2<sup>nd</sup> floor, Flint, MI 48502.

## **Government-wide Financial Statements**

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# Genesee County Land Bank Authority

## Statement of Net Assets September 30, 2009

	Business-type Activities - Enterprise Funds	Component Unit - Genesee Institute (December 31, 2008)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 827,789	\$ 113,515
Receivables - Net of allowances for uncollectibles:		
Land contract receivable	238,713	-
Grant receivables	124,698	-
Other receivables	104,837	14,138
Due from Genesee County Brownfield Authority	76,208	-
Due from other governments	69,667	-
Inventories	1,478,642	-
Prepaid items	46,892	-
Security deposits	20,228	-
Total current assets	2,987,674	127,653
Noncurrent assets:		
Restricted cash	60,616	-
Land contract receivable	1,153,038	-
Note receivable	225,000	-
Property, plant, and equipment:		
Land	282,908	-
Buildings and structures	16,286,075	-
Equipment	239,412	9,643
Vehicles	103,159	-
Total property, plant, and equipment	16,911,554	9,643
Accumulated depreciation	(1,660,397)	(5,383)
Net property, plant, and equipment	15,251,157	4,260
Investment in joint venture	7,924,000	-
Other assets - Intangible assets - Net	48,872	-
Total noncurrent assets	24,662,683	4,260
Total assets	27,650,357	131,913

# Genesee County Land Bank Authority

## Statement of Net Assets (Continued) September 30, 2009

	Business-type Activities - Enterprise Funds	Component Unit - Genesee Institute (December 31, 2008)
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 371,445	\$ 32,657
Accrued salaries and wages	23,096	-
Due to Genesee County - Property purchases	975,038	-
Due to Genesee County - Land Bank Center	35,000	-
Note payable	651,702	-
Rental deposits	49,281	-
Unearned revenue	155,031	-
Other accrued liabilities	17,759	-
Accrued interest	57,183	-
Capital leases	9,886	-
	<hr/>	<hr/>
Total current liabilities	2,345,421	32,657
Noncurrent liabilities:		
Due to Genesee County - Land Bank Center	1,890,000	-
Notes payable - Berridge Place	2,390,565	-
Deferred taxes	54,620	-
Accrued compensated absences	16,891	-
	<hr/>	<hr/>
Total noncurrent liabilities	4,352,076	-
	<hr/>	<hr/>
Total liabilities	6,697,497	32,657
<b>Net Assets</b>		
Investment in capital assets - Net of related debt	9,337,031	4,260
Restricted for debt service	60,616	-
Temporary restricted	-	54,005
Unrestricted	11,555,213	40,991
	<hr/>	<hr/>
Total net assets	<u>\$ 20,952,860</u>	<u>\$ 99,256</u>

# Genesee County Land Bank Authority

## Statement of Activities Year Ended September 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Donations	Capital Grants and Donations	Total Business-type Activities	Component Unit (Year Ended December 31, 2008)
Business-type activities -						
Land Bank	\$ 8,672,150	\$ 5,434,522	\$ 3,606,956	\$ 243,333	\$ 612,661	\$ -
Component unit -						
Genesee Institute	114,034	36,753	84,074	-	-	6,793
General revenues:						
Investment earnings					129,258	-
Genesee County appropriations					1,494,068	-
Developer fee					870,705	-
Tax credits and related fees					574,319	-
Total general revenues					<u>3,068,350</u>	<u>-</u>
<b>Change in Net Assets</b>					3,681,011	6,793
<b>Net Assets - Beginning of year, as restated</b>					<u>17,271,849</u>	<u>92,463</u>
<b>Net Assets - End of year</b>					<b><u>\$ 20,952,860</u></b>	<b><u>\$ 99,256</u></b>

## **Fund Financial Statements**

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# Genesee County Land Bank Authority

## Proprietary Funds Statement of Net Assets September 30, 2009

	Land Bank Authority - Enterprise Fund	GCLB-Berridge Place, LLC - Enterprise Fund (December 31, 2009)	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 497,097	\$ 330,692	\$ 827,789
Receivables - Net of allowances for uncollectibles:			
Land contract receivable	238,713	-	238,713
Grant receivables	124,698	-	124,698
Other receivables	100,872	3,965	104,837
Due from Genesee County Brownfield Authority	76,208	-	76,208
Due from other governments	69,667	-	69,667
Due from other funds	887,166	-	887,166
Advances to other funds	180,000	-	180,000
Inventories	1,478,642	-	1,478,642
Prepaid items	43,613	3,279	46,892
Tenant security deposits	-	20,228	20,228
Total current assets	3,696,676	358,164	4,054,840
Noncurrent assets:			
Restricted cash	60,616	-	60,616
Land contract receivable	1,153,038	-	1,153,038
Note receivable	225,000	-	225,000
Property, plant, and equipment:			
Land	20,369	262,539	282,908
Buildings and structures	10,890,375	5,395,700	16,286,075
Equipment	150,107	89,305	239,412
Vehicles	103,159	-	103,159
Total property, plant, and equipment	11,164,010	5,747,544	16,911,554
Accumulated depreciation	(1,426,543)	(233,854)	(1,660,397)
Net property, plant, and equipment	9,737,467	5,513,690	15,251,157
Advance to other funds	1,015,000	-	1,015,000
Investment in joint venture	7,924,000	-	7,924,000
Other assets - Intangible assets - Net	-	48,872	48,872
Total noncurrent assets	20,115,121	5,562,562	25,677,683
Total assets	23,811,797	5,920,726	29,732,523

# Genesee County Land Bank Authority

## Proprietary Funds Statement of Net Assets (Continued) September 30, 2009

	Land Bank Authority - Enterprise Fund	GCLB-Berridge Place, LLC - Enterprise Fund (December 31, 2009)	Totals
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 275,135	\$ 96,310	\$ 371,445
Accrued salaries and wages	23,096	-	23,096
Due to Genesee County - Property purchases	975,038	-	975,038
Due to Genesee County - Land Bank Center	35,000	-	35,000
Notes payable	638,799	12,903	651,702
Rental deposits	30,608	18,673	49,281
Unearned revenue	155,031	-	155,031
Other accrued liabilities	7,291	10,468	17,759
Accrued interest	40,723	-	40,723
Capital leases	9,886	-	9,886
Due to other funds	-	903,626	903,626
Advance from other funds	-	180,000	180,000
	<u>2,190,607</u>	<u>1,221,980</u>	<u>3,412,587</u>
Total current liabilities			
Noncurrent liabilities:			
Due to Genesee County - Land Bank Center	1,890,000	-	1,890,000
Notes payable	1,015,000	1,375,565	2,390,565
Advances from other funds	-	1,015,000	1,015,000
Deferred taxes	-	54,620	54,620
Accrued compensated absences	16,891	-	16,891
	<u>2,921,891</u>	<u>2,445,185</u>	<u>5,367,076</u>
Total noncurrent liabilities			
Total liabilities			
	<u>5,112,498</u>	<u>3,667,165</u>	<u>8,779,663</u>
<b>Net Assets</b>			
Investment in capital assets - Net of related debt	7,263,516	2,073,515	9,337,031
Restricted for note covenant	60,616	-	60,616
Unrestricted	11,375,167	180,046	11,555,213
	<u>18,699,299</u>	<u>2,253,561</u>	<u>20,952,860</u>
Total net assets			

# Genesee County Land Bank Authority

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended September 30, 2009

	Land Bank Authority - Enterprise Fund	GCLB-Berridge Place, LLC - Enterprise Fund (For Fifteen Months Ended December 31, 2009)	Total
<b>Operating Revenue</b>			
Sale of properties	\$ 1,406,742	\$ -	\$ 1,406,742
Rentals	958,125	105,173	1,063,298
Interest and penalties charges	21,250	-	21,250
Brownfield revenue	2,577,190	-	2,577,190
Reimbursements	366,042	-	366,042
Grants	3,606,956	-	3,606,956
	<u>8,936,305</u>	<u>105,173</u>	<u>9,041,478</u>
Total operating revenue			
<b>Operating Expenses</b>			
Cost of properties sold	504,784		504,784
Demolition and abatement	532,911	-	532,911
Salaries and fringe benefits	814,809	3,363	818,172
Training and education	9,124	-	9,124
Contractual services	164,661	13,113	177,774
Legal and professional fees	1,015,354	87,289	1,102,643
Utilities and telephone	352,376	28,872	381,248
Insurance	122,592	19,927	142,519
Repairs and maintenance	847,108	9,222	856,330
Supplies	31,888	2,188	34,076
County-provided services	58,377	-	58,377
Advertising	70,664	13,112	83,776
Other miscellaneous expenses	55,830	8,346	64,176
Taxes - Other	-	58,030	58,030
Amortization - Intangible assets	-	14,759	14,759
Depreciation	544,538	231,414	775,952
	<u>5,125,016</u>	<u>489,635</u>	<u>5,614,651</u>
Total operating expenses			
<b>Net Operating Income (Loss)</b>	<b>3,811,289</b>	<b>(384,462)</b>	<b>3,426,827</b>

# Genesee County Land Bank Authority

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets (Continued) Year Ended September 30, 2009

	Land Bank Authority - Enterprise Fund	GCLB-Berridge Place, LLC - Enterprise Fund (For Fifteen Months Ended December 31, 2009)	Total
<b>Nonoperating Revenue (Expenses)</b>			
Investment income	\$ 129,258	\$ -	\$ 129,258
Other income	1,017,705	381,682	1,399,387
Genesee County appropriations	1,494,068	-	1,494,068
Miscellaneous revenue	45,637	-	45,637
Interest expense	(184,481)	(160,810)	(345,291)
Organization costs	-	(11,020)	(11,020)
Loss on sale of capital assets	<u>(2,701,188)</u>	<u>-</u>	<u>(2,701,188)</u>
Total nonoperating revenue (expenses)	<u>(199,001)</u>	<u>209,852</u>	<u>10,851</u>
<b>Loss - Before capital contributions and transfers</b>	3,612,288	(174,610)	3,437,678
<b>Capital contributions from local sources</b>	-	243,333	243,333
<b>Transfers In</b>	-	100,000	100,000
<b>Transfers Out</b>	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
<b>Change in Net Assets</b>	3,512,288	168,723	3,681,011
<b>Net Assets - Beginning of year, as restated</b>	<u>15,187,011</u>	<u>2,084,838</u>	<u>17,271,849</u>
<b>Net Assets - End of year</b>	<u><b>\$ 18,699,299</b></u>	<u><b>\$ 2,253,561</b></u>	<u><b>\$ 20,952,860</b></u>

# Genesee County Land Bank Authority

## Proprietary Funds Statement of Cash Flows Year Ended September 30, 2009

	Land Bank Authority - Enterprise Fund	GCLB-Berridge Place, LLC - Enterprise Fund (For Fifteen Months Ended December 31, 2009)	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 8,613,886	\$ 101,768	\$ 8,715,654
Payments to vendors	(3,725,759)	(173,031)	(3,898,790)
Payments to employees	(795,042)	-	(795,042)
Net cash provided by (used in) operating activities	4,093,085	(71,263)	4,021,822
<b>Cash Flows from Noncapital Financing Activities</b>			
Genesee County appropriations	1,494,068	-	1,494,068
Proceeds from operating loan	300,000	-	300,000
Miscellaneous revenue	45,637	-	45,637
Principal and interest paid on operating debt	(769,686)	-	(769,686)
Net cash provided by noncapital financing activities	1,070,019	-	1,070,019
<b>Cash Flows from Capital and Related Financing Activities</b>			
Issuance of debt	-	1,389,500	1,389,500
Local capital contributions	-	625,015	625,015
Proceeds from sales of capital assets	402,193	-	402,193
Purchase of capital assets	(232,133)	(2,390,151)	(2,622,284)
Transfers to Berridge Place	(100,000)	100,000	-
Payment on advance to related party	-	(4,569)	(4,569)
Principal payment to Genesee County LRC Fund - Property purchase	(487,436)	-	(487,436)
Principal payment on notes	(35,000)	(1,032)	(36,032)
Principal payment on capital leases	(12,620)	-	(12,620)
Interest paid	-	(129,946)	(129,946)
Net cash used in capital and related financing activities	(464,996)	(411,183)	(876,179)
<b>Cash Flows from Investing Activities</b>			
Interest received on investments	111,077	-	111,077
Fees earned on tax credit sales	147,000	-	147,000
Equity contributions to joint venture	(4,997,451)	-	(4,997,451)
Purchase of intangible assets	-	(11,383)	(11,383)
Purchase of organization costs	-	(11,020)	(11,020)
Net cash used in investing activities	(4,739,374)	(22,403)	(4,761,777)
<b>Net Decrease in Cash and Cash Equivalents</b>	(41,266)	(504,849)	(546,115)
<b>Cash and Cash Equivalents - Beginning of year</b>	598,979	835,541	1,434,520
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 557,713</b>	<b>\$ 330,692</b>	<b>\$ 888,405</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>			
Cash and equivalents	\$ 497,097	\$ 330,692	827,789
Restricted assets - Current	60,616	-	60,616
Net cash and cash equivalents	<b>\$ 557,713</b>	<b>\$ 330,692</b>	<b>\$ 888,405</b>

# Genesee County Land Bank Authority

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended September 30, 2009

	Land Bank Authority - Enterprise Fund	GCLB-Berridge Place, LLC - Enterprise Fund (For Fifteen Months Ended December 31, 2009)	Total Enterprise Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ 3,811,289	\$ (384,462)	\$ 3,426,827
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	544,538	246,173	790,711
Bad debt expense	-	400	400
Changes in assets and liabilities:			
Receivables	(1,964)	(3,640)	(5,604)
Land contract receivable	(225,094)	-	(225,094)
Grant receivable	(22,348)	-	(22,348)
Due from other governmental units	289,986	-	289,986
Inventory	287,585	-	287,585
Prepaid and other assets	38,887	(1,489)	37,398
Accounts payable and due to others	(505,381)	18,690	(486,691)
Accrued and other liabilities	21,387	54,620	76,007
Due to other governmental units	(78,832)	-	(78,832)
Rental deposits	(18,855)	(1,555)	(20,410)
Unearned revenue	(48,113)	-	(48,113)
Net cash used in operating activities	<b>\$ 4,093,085</b>	<b>\$ (71,263)</b>	<b>\$ 4,021,822</b>

### Supplemental Cash Flow Information -

#### Significant noncash financing activities:

Capital asset additions included in payables at year end	\$ -	\$ 945,705	\$ 945,705
Prior year capital asset additions included in payables disbursed	-	1,495,918	\$ 1,495,918

# Genesee County Land Bank Authority

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**Notes to Financial Statements  
September 30, 2009**

## **Note I - Summary of Significant Accounting Policies**

The accounting policies of the Genesee County Land Bank Authority (the "Authority") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Genesee County Land Bank Authority:

### **Reporting Entity**

The Genesee County Land Bank Authority is a public body corporate organized pursuant to the Michigan Land Bank Fast Track P.A. 258 and an intergovernmental agreement entered into between the Michigan Land Bank Fast Track Authority and the Treasurer of the County of Genesee, Michigan. The Authority was legally established on December 7, 2004 and began operations on that date. The Authority is comprised of seven members, as follows: treasurer of Genesee County, one (1) resident of the City of Flint, appointed by the County board, one (1) resident of Genesee County not a resident of the City of Flint, appointed by the County board, four (4) residents of Genesee County, irrespective of municipality of residence, appointed by the County board.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements will be included in the basic financial statements of Genesee County, as a discretely presented component unit of Genesee County.

The accompanying financial statements present the Authority and its component units, entities for which the Authority is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Authority's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Authority (see discussion below for description).

### **Blended Component Unit**

GCLB-Berridge Place, Inc. (Berridge Entities) was created to buy, own, operate, and sell the historically designated property formerly known as the Berridge Hotel located in Flint, Michigan. GCLB-Berridge Place, Inc. is wholly owned by the Genesee County Land Bank Authority.

# Genesee County Land Bank Authority

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**Notes to Financial Statements  
September 30, 2009**

## **Note I - Summary of Significant Accounting Policies (Continued)**

To carry out its purpose, GCLB-Berridge Place, Inc. created a subsidiary, Berridge Place Manager, LLC (of which GCLB-Berridge Place, Inc. owns 99.9 percent), which created Berridge Place, LLC (owns .1 percent). Berridge Place, LLC is the owner and lessor of the historically rehabbed property known as the Berridge Hotel. During 2009, the Organization changed its year end from September 30 to December 31 and therefore, the 2009 fiscal year includes fifteen months of activity.

### **Discretely Presented Component Units**

The Genesee Institute is a 501(c)(3) organization created by the Genesee County Land Bank Authority for the purpose of providing technical assistance to other jurisdictions interested in establishing their own land bank authority and to provide planning and research for related matters. The Genesee County Land Bank Authority is financially accountable for the Genesee Institute.

Complete financial reports of each component unit can be obtained at the Genesee County Land Bank Authority's administrative offices at 452 South Saginaw, Flint, MI.

### **Joint Venture**

The Authority's ownership interest in 607 East Second Avenue, LLC. is accounted for in the statement of net assets as equity investment in joint venture. 607 East Second Avenue, LLC was created to account for the redevelopment of the old Durant Hotel into student housing. The Authority has a 1% interest which at September 30, 2009 was \$7,924,000. The total projected cost of the development is estimated at \$35,590,000 with a total contribution of \$17,539,000 from the Authority. The Authority capital contributions sources are from grants, brownfield TIF bonds and sale of state historic and state brownfield tax credits. As of September 30, 2009 the project is in the development phase and financial information is not available.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

# Genesee County Land Bank Authority

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**Notes to Financial Statements  
September 30, 2009**

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and the component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Authority has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Genesee County Land Bank Authority's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority's proprietary funds relates to charges to customers for residential rental and sales of property as well as funds provided by the Genesee County Brownfield Authority and local source project grants since the purpose of those funds is to assist the Genesee County Land Bank Authority to carry out specific project activities. Operating expenses for proprietary funds include the cost of property rental and sales, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# Genesee County Land Bank Authority

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Notes to Financial Statements  
September 30, 2009

## Note I - Summary of Significant Accounting Policies (Continued)

### Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding short-term balances between funds are reported as "due to/from other funds". Activity between funds that are representative of longer-term lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." All trade receivables are shown as net of allowance for uncollectible amounts.

**Inventories** - Inventories are valued at lower of cost or market, as foreclosed properties are initially offered to the Authority by the County to purchase prior to going to auction at the amount of the taxes due for each parcel. The properties are inventoried at the amount of the taxes paid for the properties plus any cost incurred to rehabilitate a particular property, which do not exceed market value. In general, most parcels that are donated to the Authority and foreclosed properties not sold at auction, which automatically revert to the Authority, are valued at \$1 as they have minimal value.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - The general obligation note issued on behalf of its component unit, GCLB-Berridge Place Inc., requires amounts to be set aside that equal the January 1, 2009 and July 1, 2009 interest.

**Capital Assets** - Capital assets include property, plant, equipment, and rental properties. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$2,500 for property, plant, and equipment and \$1,000 for improvements to rental properties with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Authority does not currently have any infrastructure assets such roads, bridges, and similar items.

# Genesee County Land Bank Authority

Notes to Financial Statements  
September 30, 2009

## Note I - Summary of Significant Accounting Policies (Continued)

### Assets, Liabilities, and Net Assets or Equity (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	5 to 50 years
Vehicles	5 years
Maintenance equipment	5 to 20 years
Office equipment	5 to 10 years

**Compensated Absences (Vacation and Sick/Personal Leave)** - The Authority grants employees annual (vacation) leave based on length of service and part- or full-time status. Employees may carryover up to five unused annual leave days to the next calendar year. Annual leave is fully vested when earned. Upon termination, employees are paid accumulated annual leave at current salary rates. It is the Authority's policy to permit employees to accumulate earned but unused sick and personal leave benefits at a rate of 56 hours per year for full-time employees and prorated based on average hours worked for part-time status employees. While the policy allows the accumulation of the sick/personal hours without limit, no payment for any unused accumulated hours will be paid upon termination. As a result, there is no liability for unpaid accumulated sick and personal leave.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund-type fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Comparative Data** - Comparative data is not included in the Authority's financial statements.

# Genesee County Land Bank Authority

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**Notes to Financial Statements  
September 30, 2009**

## **Note 2 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated one bank (Citizens Bank) for the deposit of its funds. The investment policy adopted by the board mirrors that of Genesee County and is in accordance with Public Act 196 of 1997, as amended. The policy has authorized investment in obligations of the U.S. Treasury, agencies and instrumentality's commercial paper rated A-2 by Standard and Poor's Corporation or P-2 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and reverse repurchase agreements. The Authority's deposit and investment policies are in accordance with statutory authority.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$0 of bank deposits (checking accounts) that were uninsured and uncollateralized.

### **Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. At year end, \$624,713 of investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Genesee County Land Bank Authority's name.

# Genesee County Land Bank Authority

Notes to Financial Statements  
September 30, 2009

## Note 2 - Deposits and Investments (Continued)

### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Governmental security pooled fund	\$624,713	3 months

### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Governmental security pooled fund	\$624,713	N/A	N/A

### Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer.

### Component Unit - Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Berridge Place entities do not have a deposit policy for custodial credit risk. At year end, the Berridge Place entities had \$0 of bank deposits (checking accounts) that were uninsured and uncollateralized.

# Genesee County Land Bank Authority

## Notes to Financial Statements September 30, 2009

### Note 3 - Capital Assets

Capital asset activity of the Authority's business-type activities was as follows:

	October 1,	Increase	Decrease	September 30,
Capital assets not being depreciated:				
Land	\$ 84,308	\$ 198,600	\$ -	\$ 282,908
Construction in progress - Buildings	<u>3,272,819</u>	<u>-</u>	<u>3,272,819</u>	<u>-</u>
Subtotal	3,357,127	198,600	3,272,819	282,908
Capital assets being depreciated:				
Buildings and improvements	15,022,384	4,966,791	3,703,100	16,286,075
Maintenance equipment	30,705	121,574	-	152,279
Office equipment	87,133	-	-	87,133
Vehicles	<u>68,549</u>	<u>34,610</u>	<u>-</u>	<u>103,159</u>
Subtotal	15,208,771	5,122,975	3,703,100	16,628,646
Accumulated depreciation:				
Buildings and improvements	(1,151,587)	(726,501)	(397,934)	(1,480,154)
Maintenance equipment	(23,594)	(4,800)	-	(28,394)
Office equipment	(59,153)	(28,496)	-	(87,649)
Vehicles	<u>(48,045)</u>	<u>(16,155)</u>	<u>-</u>	<u>(64,200)</u>
Subtotal	<u>(1,282,379)</u>	<u>(775,952)</u>	<u>(397,934)</u>	<u>(1,660,397)</u>
Net capital assets being depreciated	<u>13,926,392</u>	<u>4,347,023</u>	<u>3,305,166</u>	<u>14,968,249</u>
Net capital assets	<u>\$ 17,283,519</u>	<u>\$ 4,545,623</u>	<u>\$ 6,577,985</u>	<u>\$ 15,251,157</u>

The amount for vehicles, above, includes \$59,449 as of September 30, 2009 for assets acquired under capital lease arrangements. Accumulated amortization of the leased assets at September 30, 2009 was \$50,532. This amount includes \$11,890 of amortization of capital leases on vehicles for the year ended September 30, 2009.

#### Discretely Presented Component Unit

The Genesee Institute had office equipment with a cost of \$9,643 at December 31, 2008 and accumulated depreciation of \$5,353. Depreciation expense for 2008 was \$1,638.

# Genesee County Land Bank Authority

## Notes to Financial Statements September 30, 2009

### Note 4 - Leases

**Capital Leases** - The Authority has entered into a lease agreement as lessee for financing the purchase of three vehicles from Genesee County for a period of three years and imputed interest at 5 percent payable in quarterly payments until June 30, 2010. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value are as follows:

<u>Years Ending September 30</u>	<u>Amount</u>
2010	\$ 10,132
Less amount representing interest	<u>246</u>
Present value	<u>\$ 9,886</u>

**Operating Leases on the Authority's (i.e., Lessor's) Books** - The Authority has entered into contracts with various lessees for the rental of commercial and residential real estate. The lease payments due to the Authority for the next five years are as follows:

<u>Payments Receivable In</u>	<u>Guaranteed Lease Payments</u>
2010	\$ 438,226
2011	448,098
2012	460,170
2013	460,170
2014	<u>460,170</u>
Total	<u>\$ 2,266,834</u>

Minimum future rentals do not include month-to-month rentals and are considered contingent rentals. Contingent rentals amounted to approximately \$306,414 for the year ended September 30, 2009.

# Genesee County Land Bank Authority

## Notes to Financial Statements September 30, 2009

### Note 5 - Interfund Receivables, Payables, and Transfers

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made

Land Bank Authority-Receivable	\$887,166
GCLB-Berridge Place, LLC-Payable	(903,626)

The Authority and GCLB fiscal year ends are different, as a result, GCLB-Berridge Place, LLC recorded additional accrued interest on the note owed to the Authority from September to December of \$16,460.

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	GCLB-Berridge Place, LLC	\$100,000

The transfer from the Land Bank Authority Fund to the GCLB-Berridge Place, LLC represent grant funds received by the Authority and subsequently utilized by the Berridge project.

### Note 6 - Long-term Debt

The Genesee County Land Bank Authority issues bonds to provide for the acquisition of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Authority. County contractual agreements and installment purchase agreements are also general obligations of the government.

# Genesee County Land Bank Authority

## Notes to Financial Statements September 30, 2009

### Note 6 - Long-term Debt (Continued)

The Authority has the following long-term debt outstanding as of September 30, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>General obligations:</u>					
Great Lakes Tech Project	\$ 400,000	\$ -	\$ 400,000	\$ -	\$ -
Revolving loan - DEQ	51,165	-	51,165	-	-
Note payable	-	300,000	151,201	148,799	148,799
Note payable - LRC	797,436	-	487,436	310,000	310,000
Land Bank Center	1,960,000	-	35,000	1,925,000	35,000
Berridge Place Project	1,195,000	-	-	1,195,000	180,000
Capital lease (Note 4)	<u>22,506</u>	<u>-</u>	<u>12,620</u>	<u>9,886</u>	<u>9,886</u>
Total note and capital lease	4,426,107	300,000	1,137,422	3,588,685	683,685
<u>Other long-term obligations:</u>					
Compensated absences	<u>10,402</u>	<u>6,489</u>	<u>-</u>	<u>16,891</u>	<u>-</u>
Total business type-activities	<u>\$ 4,436,509</u>	<u>\$ 306,489</u>	<u>\$ 1,137,422</u>	<u>\$ 3,605,576</u>	<u>\$ 683,685</u>

On April 1, 2007, Genesee County transferred the improvements of the Land Bank Center (formerly the Hughes & Hatcher Building) to the Authority in exchange for a note payable to the County with an original amount of \$1,995,000 maturing October 1, 2024, not subject to redemption prior to maturity, bearing interest rates ranging between 4.75 percent and 5.7 percent. The note requires the Authority to pay the debt service requirements of the bonds used to improve the building located at 452 S. Saginaw St., Flint, MI 48502.

On June 6, 2009, the Genesee County Land Bank Authority signed a promissory note to borrow \$300,000. The proceeds were used to repair rental property. The note bears a fixed interest rate of 5.75%. The last monthly payment is due on June of 2010.

On September 3, 2009, the Genesee County Land Bank Authority signed an agreement with the Genesee County. The Authority has promised to pay \$310,000 of the Bond Series 2005A bonds issued by the Genesee County in the amount. The original funds were used for the rehab of properties that were later transferred from the Genesee County to the Genesee Authority. The final payment is due by November 1, 2009. The Authority has pledged revenues from the sale proceeds of the Durant Project and other property sale proceeds to repay the above liability.

# Genesee County Land Bank Authority

## Notes to Financial Statements September 30, 2009

### Note 6 - Long-term Debt (Continued)

On June 26, 2008, the Genesee County Land Bank Authority issued bonds in the amount of \$1,195,000 maturing January 31, 2014, not subject to redemption prior to maturity, bearing an interest rate of 5.39 percent, for the purpose of providing funds for the Berridge Place Project. The funds were loaned to the Berridge Place Enterprise Fund. The bonds are supported by the limited tax, full faith and credit of the Authority. The bonds are expected to be paid from project revenues received from National City Bank, N.A. and National City Community Development Corporation based upon certain Michigan State historic tax credits and federal historic tax credits.

Additional security is provided by the pledge of the full faith and credit of Genesee County.

Total interest expense for the year was \$184,481. Annual debt service requirements to maturity for the above bonds, capital leases, and note obligations are as follows:

	Authority		
	\$	\$	\$
2010	673,799	173,852	847,651
2011	270,000	160,076	430,076
2012	285,000	145,680	430,680
2013	305,000	129,766	434,766
2014	325,000	113,902	438,902
2015-2019	270,000	457,030	727,030
2020-2024	350,000	375,377	725,377
2025-2029	475,000	262,240	737,240
2030-2034	625,000	110,422	735,422
Total	<u>\$ 3,578,799</u>	<u>\$ 1,928,345</u>	<u>\$ 5,507,144</u>

The long term debt for GCLB-Berridge Place, LLC is presented below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
LISC note payable	\$ -	\$ 1,389,500	\$ 1,032	\$ 1,388,468	\$ 12,903

# Genesee County Land Bank Authority

## Notes to Financial Statements September 30, 2009

### Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above note obligation is as follows:

	GCLB-Berridge Place, LLC		
	Principal	Interest	Total
2010	\$ 12,903	\$ 103,697	\$ 116,600
2011	13,905	102,696	116,601
2012	14,985	101,616	116,601
2013	16,147	100,452	116,599
2014	<u>1,330,528</u>	<u>90,983</u>	<u>1,421,511</u>
Total	<u>\$ 1,388,468</u>	<u>\$ 499,444</u>	<u>\$ 1,887,912</u>

### Note 7 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Business-type Activities
Bond debt service reserve	\$ 60,616

### Note 8 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for each of these claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### Note 9 - Defined Contribution Pension Plan

The Authority provides pension benefits to all of its full-time employees through a defined contribution plan. The Authority is a member of the Michigan Municipal Employees' Retirement System defined contribution plan. The plan is administered by the International City Management Association Retirement Corporation (ICMARC). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the plan and through its adoption, the Authority contributes 10 percent of employees' gross earnings and each employee contributes 5 percent of their salary. Participants are vested after three years of service and are entitled to 100 percent of the vested contributions including earnings thereon. The plan is a money purchase plan qualified under Section 401 of the Internal Revenue Code.

# Genesee County Land Bank Authority

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## Notes to Financial Statements September 30, 2009

### **Note 9 - Defined Contribution Pension Plan (Continued)**

The Authority's total payroll during the current year was \$603,851. The current year contribution was calculated based on covered payroll of \$584,909, resulting in an employer contribution of \$58,491 and employee contributions of \$29,246.

### **Note 10 - Commitment**

During 2009, the Authority sold Building F of the Great Lakes Technology Building. Included in the purchase agreement was an option for the buyer to purchase Building G. The option is open until September 15, 2011. If exercised the buyer will issue a non interest bearing promissory note for \$625,000 payable on or about March 31, 2018. The note will be reduced dollar by dollar for any property taxes paid by the buyer during calendar years 2013 thru 2017 on Building G, and property taxes paid on Building F during calendar years 2011 and 2012 that exceeded the purchase price of Building F.

### **Note 11 - Restatement of Prior Year Net Assets**

The net assets of the Genesee Institute as of December 31, 2007 were restated to correct the method of accounting for donor restricted donations. Previously, unspent donations at year end were recognized as deferred revenue. However, a not for profit should recognize the donations as temporarily restricted revenue. The amount of the restatement was to increase net assets by \$61,984.

The net assets of the Authority as of September 30, 2008 were restated to correct the method of accounting for the equity interest in a joint venture. Previously, the capital contributions to the joint venture were expensed. However, capital contributions should have been recorded as an investment in the joint venture. The amount of the restatement was to increase net assets by \$2,926,549.

## **Other Supplemental Information**

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# Genesee County Land Bank Authority

## GCLB-Berridge Place, Inc. and Subsidiaries Consolidated Balance Sheet December 31, 2009

<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 330,692
Accounts receivable:	
Trade	100
Tenant	3,240
Related party	625
Prepaid expenses	3,279
Tenant security deposits	20,228
	<hr/>
Total current assets	358,164
<b>Property and Equipment</b>	
Land & improvements	262,539
Buildings & improvements	5,395,700
Furniture & fixtures	89,305
	<hr/>
Total cost	5,747,544
Less accumulated depreciation and amortization	(233,854)
	<hr/>
Net property and equipment	5,513,690
<b>Other Assets - Intangible assets - Net</b>	48,872
	<hr/>
Total assets	<u><u>\$ 5,920,726</u></u>
<b>Liabilities and Members' Deficit</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 20,659
Accounts payable - related party	651
Contractor payable	75,000
Developer fee payable - related party	870,705
Accrued liabilities	8,678
Accrued liabilities - related party	32,921
Prepaid tenant rent	1,790
Tenant security deposits	18,673
Debt - current portion	192,903
	<hr/>
Total current liabilities	1,221,980
<b>Other Liabilities - Deferred taxes</b>	54,620
<b>Debt</b>	
Mortgage payable, net current portion	1,375,565
Note payable - related party, net current portion	1,015,000
	<hr/>
Total debt	2,390,565
<b>Minority Interest</b>	1,611,281
<b>Members' Equity</b>	642,280
	<hr/>
Total liabilities and members' equity	<u><u>\$ 5,920,726</u></u>

# Genesee County Land Bank Authority

## GCLB-Berridge Place, Inc. and Subsidiaries Consolidated Statement of Operations and Members' Equity Fifteen Months Ended December 31, 2009

### Statement of Income

<b>Revenue</b>	\$ 105,173
<b>Operating Expenses</b>	
Advertising	13,112
Amortization - intangible assets	14,759
Auto mileage	1,384
Bad debt expense	400
Contractual labor	8,341
Depreciation	231,414
Equipment	162
Insurance	19,927
Management fees	4,772
Miscellaneous	8,437
Office expense	767
Postage	96
Professional fees	53,673
Promotions	600
Repairs & maintenance	9,060
Security	3,363
Supplies	725
Taxes - property	3,310
Taxes - other	100
Telephone	3,153
Utilities	25,719
Total operating expenses	<u>403,274</u>
<b>Operating Loss</b>	(298,101)
<b>Nonoperating Income (Expenses)</b>	
Other income- sale of tax credits	381,682
Interest expense	(160,810)
Organization costs	(11,020)
Minority interest in loss of subsidiary	132,582
Total nonoperating expenses	<u>342,434</u>
<b>Loss - Before income taxes</b>	44,333
<b>Michigan Business Tax Expense</b>	<u>54,620</u>
<b>Net Loss</b>	<u><u>\$ (10,287)</u></u>

### Statement of Members' Equity

Members' equity - Beginning of period	\$ 601,412
Add - Contributions from Genesee County Land Bank Authority	100,000
Add - Net loss	(10,287)
Less - Syndication costs	(48,845)
Members' equity - End of period	<u><u>\$ 642,280</u></u>

# Genesee County Land Bank Authority

## GCLB-Berridge Place, Inc. and Subsidiaries Consolidated Statement of Cash Flows Fifteen Months Ended December 31, 2009

<b>Cash Flows from Operating Activities</b>	
Receipts from tenants	\$ 101,768
Payments to vendors	<u>(141,290)</u>
Net cash used by operating activities	(39,522)
<b>Cash Flows from Investing Activities</b>	
Purchase of property and equipment	(2,390,051)
Purchase of intangible assets	(11,383)
Purchase of organization costs	(11,020)
Purchase of syndication costs	<u>(31,841)</u>
Net cash used in investing activities	(2,444,295)
<b>Cash Flows from Financing Activities</b>	
Member contributions	343,433
Proceeds from notes payable	1,389,500
Payments on notes payable	(1,032)
Proceeds from sale of tax credits	381,582
Interest paid on debt	(129,946)
Payments on advance from related party	<u>(4,569)</u>
Net cash provided by financing activities	<u>1,978,968</u>
<b>Net Decrease in Cash</b>	(504,849)
<b>Cash - Beginning of year</b>	<u>835,541</u>
<b>Cash - End of year</b>	<u><u>\$ 330,692</u></u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>	
Net operating loss	\$ (298,101)
Adjustments to reconcile net operating loss to net cash from operating activities:	
Depreciation and amortization	246,173
Bad debt expense	400
Changes in working capital accounts -	
Accounts receivable	(3,640)
Prepaid expenses	(3,279)
Tenant security deposits	(1,555)
Accounts payable	18,690
Prepaid tenant rent	<u>1,790</u>
Net cash used in operating activities	<u><u>\$ (39,522)</u></u>

# Genesee County Land Bank Authority

## GCLB-Berridge Place, Inc. and Subsidiaries Consolidating Balance Sheet December 31, 2009

	GCLB- Berridge Place, Inc.	Berridge Place Manager, LLC	Berridge Place, LLC	Eliminations	GCLB-Berridge Place, Inc. and Subsidiaries
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$ -	\$ -	\$ 330,692	\$ -	\$ 330,692
Accounts receivable:					
Trade	-	-	100	-	100
Tenant	-	-	3,240	-	3,240
Related party	-	-	12,775	(12,150)	625
Prepaid expenses	-	-	3,279	-	3,279
Tenant security deposits	-	-	20,228	-	20,228
Total current assets	-	-	370,314	(12,150)	358,164
<b>Property and Equipment</b>					
Land & improvements	-	-	262,539	-	262,539
Buildings & improvements	-	-	5,395,700	-	5,395,700
Furniture & fixtures	-	-	89,305	-	89,305
Total cost	-	-	5,747,544	-	5,747,544
Less accumulated depreciation	-	-	(233,854)	-	(233,854)
Net property and equipment	-	-	5,513,690	-	5,513,690
<b>Other Assets</b>					
Intangible assets - net	-	-	48,872	-	48,872
Investment in subsidiary	696,200	2,203,704	-	(2,899,904)	-
Total other assets	696,200	2,203,704	48,872	(2,899,904)	48,872
Total assets	<u>\$ 696,200</u>	<u>\$ 2,203,704</u>	<u>\$ 5,932,876</u>	<u>\$ (2,912,054)</u>	<u>\$ 5,920,726</u>

# Genesee County Land Bank Authority

## GCLB-Berridge Place, Inc. and Subsidiaries Consolidating Balance Sheet (Continued) December 31, 2009

	GCLB- Berridge Place, Inc.	Berridge Place Manager, LLC	Berridge Place, LLC	Eliminations	GCLB-Berridge Place, Inc. and Subsidiaries
<b>Liabilities and Members' Equity</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 20,659	\$ -	\$ 20,659
Accounts payable - related party	5,075	7,075	651	(12,150)	651
Contractor payable	-	-	75,000	-	75,000
Developer fee payable - related party	-	-	870,705	-	870,705
Accrued liabilities	-	-	8,678	-	8,678
Accrued liabilities - related party	-	-	32,921	-	32,921
Prepaid tenant rent	-	-	1,790	-	1,790
Tenant security deposits	-	-	18,673	-	18,673
Debt - current portion	-	-	192,903	-	192,903
Total current liabilities	5,075	7,075	1,221,980	(12,150)	1,221,980
<b>Other Liabilities - Deferred taxes</b>	-	-	54,620	-	54,620
<b>Debt</b>					
Mortgage payable, net current portion	-	-	1,375,565	-	1,375,565
Note payable - related party, net current portion	-	-	1,015,000	-	1,015,000
Total debt	-	-	2,390,565	-	2,390,565
<b>Minority Interest</b>	-	-	-	1,611,281	1,611,281
<b>Members' Equity</b>	691,125	2,196,629	2,265,711	(4,511,185)	642,280
Total liabilities and members' equity	<u>\$ 696,200</u>	<u>\$ 2,203,704</u>	<u>\$ 5,932,876</u>	<u>\$ (2,912,054)</u>	<u>\$ 5,920,726</u>

# Genesee County Land Bank Authority

## GCLB-Berridge Place, Inc. and Subsidiaries Consolidating Statement of Operations Fifteen Months Ended December 31, 2009

	GCLB- Berridge Place, Inc.	Berridge Place Manager, LLC	Berridge Place, LLC	Eliminations	GCLB-Berridge Place, Inc. and Subsidiaries
<b>Revenue</b>	\$ -	\$ -	\$ 105,173	\$ -	\$ 105,173
<b>Operating Expenses</b>					
Advertising	-	-	13,112	-	13,112
Amortization - intangible assets	-	-	14,759	-	14,759
Auto mileage	-	-	1,384	-	1,384
Bad debt expense	-	-	400	-	400
Contractual labor	-	-	8,341	-	8,341
Depreciation	-	-	231,414	-	231,414
Equipment	-	-	162	-	162
Insurance	-	-	19,927	-	19,927
Management fees	-	-	4,772	-	4,772
Miscellaneous	-	-	8,437	-	8,437
Office expense	-	-	767	-	767
Postage	-	-	96	-	96
Professional fees	3,200	7,075	43,398	-	53,673
Promotions	-	-	600	-	600
Repairs & maintenance	-	-	9,060	-	9,060
Security	-	-	3,363	-	3,363
Supplies	-	-	725	-	725
Taxes - property	-	-	3,310	-	3,310
Taxes - other	-	-	100	-	100
Telephone	-	-	3,153	-	3,153
Utilities	-	-	25,719	-	25,719
Total operating expenses	3,200	7,075	392,999	-	403,274
<b>Operating Loss</b>	(3,200)	(7,075)	(287,826)	-	(298,101)
<b>Nonoperating Income (Expenses)</b>					
Other income- sale of tax credits	-	-	381,682	-	381,682
Interest expense	-	-	(160,810)	-	(160,810)
Organization costs	-	-	(11,020)	-	(11,020)
Equity loss on investment in subsidiary	(7,087)	(13)	-	7,100	-
Minority interest in loss of subsidiary	-	-	-	132,582	132,582
Total nonoperating expenses	(7,087)	(13)	209,852	139,682	342,434
<b>Loss - Before income taxes</b>	(10,287)	(7,088)	(77,974)	139,682	44,333
<b>Michigan Business Tax Expense</b>	-	-	54,620	-	54,620
<b>Net Loss</b>	<u>\$ (10,287)</u>	<u>\$ (7,088)</u>	<u>\$ (132,594)</u>	<u>\$ 139,682</u>	<u>\$ (10,287)</u>

# Genesee County Land Bank Authority

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## GCLB-Berridge Place, Inc. and Subsidiaries Note to Other Supplemental Information Year Ended December 31, 2009

**Consolidation** - The accompanying consolidated financial statements include the accounts of GCLB-Berridge Place, Inc. and subsidiaries. All material intercompany transactions have been eliminated in consolidation. These financial statements follow standards applicable to commercial entities (i.e., Financial Accounting Standards Board or FASB).

**FASB/GASB Presentation Differences** - (1) Under FASB rules, upon consolidation of related entities, non-controlling equity interests in subsidiaries are reported as “minority interests” in the equity section of the balance sheet, while under GASB (Government Accounting Standards Board) rules these amounts are shown as “net assets.” (2) Contributions from the parent, Genesee County Land Bank Authority, are reported as additions within the members’ equity section of the FASB statement of members’ equity, and are shown as “transfers” in the GASB statement of revenues, expenses, and changes in net assets.

**Other Assets - Loan Costs** - Loan costs were incurred by the Berridge Place entities in connection with obtaining the bridge loan on the rehabilitated property. These costs will be amortized over the term of the related debt. Accumulated amortization and amortization expenses as of and for the year ended September 30, 2009 were \$16,232 and \$13,745, respectively.

**Syndication Costs** - Syndication costs of \$46,498 are presented on the balance sheet as contra equity and will be allocated to the members capital accounts upon the sale of liquidation of the Berridge entities.

**Member Allocation of Profits and Losses** - Profits or losses from operations of the Berridge entities are allocated annually among the members in proportion to their ownership interest in accordance with the terms of the operating agreement. Gains and losses from sale, exchange, or other disposition of Berridge entities property shall be allocated in accordance with terms of the operating agreement.

# **Genesee County Land Bank Authority**

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**Report to the Board  
September 30, 2009**



**Plante & Moran, PLLC**

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To the Board  
Genesee County Land Bank Authority

We have recently completed our audit of the basic financial statements of Genesee County Land Bank Authority (the "Authority") for the year ended September 30, 2009. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments and recommendations which impact the Authority:

	<u>Page</u>
<b>Report on Internal Control</b>	1-3
<b>Results of the Audit</b>	4-6
<b>Summary of Unrecorded Possible Adjustments</b>	7-8
<b>Other Recommendations</b>	9-10

We are grateful for the opportunity to be of service to the Genesee County Land Bank Authority. Should you have any questions regarding the comments in this report, please do not hesitate to call.

*Plante & Moran, PLLC*

March 29, 2010

## Report on Internal Control

March 29, 2010

To the Board  
Genesee County Land Bank Authority

Dear Board Members:

National auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Authority's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards are to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this **Report on Internal Control** will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Genesee County Land Bank Authority as of and for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be

To the Board  
Genesee County Land Bank Authority

prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

**Receivables** - Because of the accrual basis of accounting, revenues and receivables resulting from exchange transactions should be recognized when the exchange takes place. During the current year the Authority sold a portion of the tech center building and recorded the revenue for the actual cash collected. The Authority did not record the portion that was guaranteed by a promissory note from the seller. The amount of the promissory note would be reduced by any property taxes paid by the buyer during the calendar year 2010-2012.

**Segregation of Duties** - During the audit, it was noted that there is a lack of segregation of duties related to the processing and recording of payments received on land contracts. The individual who collects payments is also responsible for updating/recording the land contract subsidiary spreadsheet. This arrangement causes a lack of what is termed "segregation of duties" (i.e., where one person has control over both access to assets and the recording of the transactions). When segregation of duties is present in an internal control system, there are processes whereby the work of one individual is reviewed or checked by another. The following is a control to achieve adequate segregation of duties:

- We understand that the Authority is limited by the small number of staff; however, we recommend that, if possible, an individual independent from the cash receipt system should be responsible for maintaining and updating the land contract subsidiary ledger (i.e., listing of amounts owed by each purchaser).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

**Inventory** - Generally accepted accounting principles (GAAP) require inventory to be recorded at the lower of cost or market. During the audit we discovered that the Authority did not perform an analysis of lower of cost or market. After further discussions and analysis with management a potential adjustment was identified related to land and properties needing to be demolished. We recommend the Authority perform this analysis annually and record the adjustment necessary to record the inventory balances in accordance with GAAP.

**Development Activities** - The Authority is involved with two for profit real estate developments within the City of Flint. The accounting treatment requires analyzing the related agreements to determine ownership and management interest in the projects and any fees to be paid to the Authority. During the audit, it was discovered that the Authority had an equity interest in the 607 East Second Street project. Capital contributions were recorded as demolition expense instead of an investment in a joint venture. Additionally, the Authority had earned a development fee related to the Berridge Project that was not recorded. We would be pleased to provide assistance to the Authority to ensure such transactions are properly recorded as they occur.

To the Board  
Genesee County Land Bank Authority

**Comments Relating to the Berridge Place Enterprise Fund:**

**Separate Entity Accounting on a GAAP Basis** – Generally accepted accounting principles (GAAP) require accrual basis financial statements. Since the Authority desires to follow GAAP, management is, therefore, responsible for maintaining its records such that GAAP-based financial statements can be generated. Generally, the Authority makes efforts to record all normal accrual entries related to its activities. The Authority did need assistance to identify all necessary accrual adjustments related to revenue, expenses, and classification of restricted net assets. As a result, significant adjusting entries were proposed by us and posted by the Authority related to the Berridge Place Project “Berridge”. We will work with the management of the Authority in its understanding of all the entries necessary related to the Berridge Place Project to maintain its records on the accrual basis throughout the year and at year end.

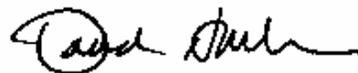
**Accounting for Operating Activity-** Currently the Berridge records the partnership activity related to the development of the project. Berridge has hired a management company to conduct the leasing and general operating of the project. The management company maintains the accounting records related to the operating activities on behalf of Berridge. The trial balance received from the Berridge to perform the audit did not include the operating activity. Although Land Bank receives monthly reports from the management company the information needs to be included in the year end trial balance for Berridge to ensure that both operating and partnership activity is included in the annual financial statements.

**Controls Over Berridge Place Bank Accounts** - (1) Segregation of duties - During the audit, it was noted that there is a lack of segregation of duties related to the bank reconciliation procedures of the Berridge Place bank accounts. When segregation of duties is present in an internal control system, there are processes whereby the work of one individual is reviewed or checked by another. We noted that bank reconciliations were not reviewed during the year by someone other than the preparer.

This communication is intended solely for the information and use of management, the board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**



Tadd Harburn, CPA

## Results of the Audit

March 29, 2010

To the Board  
Genesee County Land Bank Authority

We have audited the financial statements of Genesee County Land Bank Authority for the year ended September 30, 2009, and have issued our report thereon dated March 29, 2010. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated October 16, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Genesee County Land Bank Authority. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on November 24, 2009.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies

To the Board  
Genesee County Land Bank Authority

used by Genesee County Land Bank Authority are described in Note I to the financial statements.

We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the lower of cost or market for inventory and useful life of capital assets.

Market of inventory is based upon recent sales activity and current market conditions. Useful lives of capital assets are based upon management's estimate of their life. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management: (1) To record the developer fee receivable earned on the Berridge project. (2) To record investment in the 607 East Second Street joint venture.

#### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit .

To the Board  
Genesee County Land Bank Authority

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated March 29, 2010.

***Management Consultations with Other Independent Accountants***

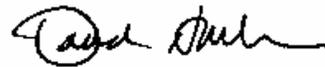
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

In the normal course of our professional association with the organization we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the organization’s auditors.

This information is intended solely for the use of Board and management of Genesee County Land Bank Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**



Tadd Harburn, CPA





## **Other Recommendations**

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# Genesee County Land Bank Authority

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## Other Recommendations

**Investment Policy** - Currently the Authority follows the investment policy of Genesee County (primary government); however, formal approval of the policy by the Authority Board could not be located. We recommend the Authority formally adopt the Genesee County investment policy.

**Cost of Goods Sold** - When properties held by the Authority are sold the carrying value of the inventory is removed from the asset account and recorded as cost of goods sold. The value of several parcels removed from the inventory were greater than the amount originally recorded resulting in a credit balance of approximately \$12,000 in the inventory account. We would recommend that the inventory subledger is reviewed annually to identify and correct and parcels that were sold and have a credit balance.