

Office of Legislative
Auditor General

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July 7, 2014

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

Enclosed is our final copy of the Office of Legislative Auditor General's Financial Assessment – Limited Review report for the Wayne County Land Bank Corporation's audited financial statements for the fiscal year ended September 30, 2013. Our report is dated June 5, 2014; DAP No. 2014-57-901. The contents of this final report did not change from the draft report previously issued. The report was accepted by the Audit Committee June 25, 2014 and formally received by the Wayne County Commission on July 3, 2014.

We are pleased to inform you that officials from the Wayne County Land Bank provided their full cooperation. If you have any questions, concerns, or desire to discuss the report in greater detail, we would be happy to do so at your convenience. This report is intended for your information and should not be used for any other purpose. Copies of all Office of Legislative Auditor General's reports can be found on our website: <http://www.waynecounty.com/commission/lagreports.htm>.


Willie Mayo, CPA, CIA, CGAP, CICA, CGMA
Auditor General

REPORT DISTRIBUTION

Wayne County Treasurer

Honorable Raymond J. Wojtowicz, Chairperson, Wayne County Land Bank Corporation

Wayne County Land Bank Corporation

Jano Hanna, Executive Director

Department of Management & Budget

Mark Abbo, Chief Financial Officer

Lyn Roberts, Deputy Chief Financial Officer

Melinda Haner, Finance Director – Land Bank, Management & Budget

Terry L. Hasse – Director, Grants Compliance and Contract Management

Wayne County Executive



Office of Legislative
Auditor General

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June 5, 2014

DAP No. 2014-57-901

Honorable Raymond E. Basham, Chairman
Audit Committee
Wayne County Commission
County of Wayne, Michigan
500 Griswold Ave., Suite 727
Detroit, MI 48226

Subject: Office of Legislative Auditor General's Financial Assessment – Limited Review
Report for the Wayne County Land Bank Corporation's Financial Statements for
the fiscal year ended September 30, 2013.

Dear Chairman Basham:

The Department of Management & Budget provided the Wayne County Office of Legislative Auditor General (OAG) with a copy of the Wayne County Land Bank Corporation's (Land Bank) financial statements (see attached) for the fiscal year ended September 30, 2013, in accordance with Wayne County Ordinance 98-59, which requires all county departments, agencies and units to provide a copy of any audit or consulting report to the Legislative Auditor General.

Because we have performed more extensive financial reviews of the Land Bank's financial statements in the past few years, in accordance with professional attestation standards, and determined they were complete, thorough, and in accordance with generally accepted accounting principles, we elected to conduct a limited review of their financial reports for the fiscal year ended September 30, 2013.

Our limited review is substantially less in scope than an examination or audit in accordance with Generally Accepted Government Auditing Standards or Generally Accepted Auditing Standards, the objective of which is the expression of an opinion on the audited financial statements. Accordingly, we do not express such an opinion.



Our limited review of the Land Bank's financial statements and independent auditors report for the fiscal year ended September 30, 2013, included, but was not necessarily limited to a thorough and complete review of the documents; limited inquiries of Land Bank and County officials; and analytical review procedures. Below we have summarized some key items from the financial and other reports for consideration by the Committee and Commission members:

BACKGROUND

- The Land Bank was incorporated on October 19, 2006, under the provisions of Section 5 of Article 3, and Section 28 of Article 7 of the Michigan Constitution of 1963, and the Land Bank Fast Track Act (Public Act 258 of 2003; MCL 124.751 to 124.774). The Land Bank acquires, manages, and disposes of public tax reverted property to foster development and promote economic growth. The Land Bank also sells abandoned properties and collaborates with non-profit organizations and developers to promote new economic development within Wayne County.
- The Land Bank, for financial reporting purposes, is classified as a discretely presented component unit of the County in accordance with generally accepted accounting principles. A discretely presented component unit is a legally separate entity from the County; however, the county is financially accountable and the relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete.
- The Land Bank Corporation's governing board consists of five members. The Wayne County Treasurer or his designee is the chairperson. Three members are appointed by the Wayne County Executive, and one member is appointed by the Wayne County Commission. The Land Bank is managed by an Executive Director selected by the Board of Directors.
- In past years the primary sources of revenue for the Land Bank Corporation were local and federal grants and the sale of property. For FY 2013, Land Bank Corporation relied on revenue generated through the Transforming Underdeveloped Residential and Business Opportunities (TURBO) program.
- An intergovernmental agreement, dated June 23, 2006, exists between the Treasurer of the County of Wayne, and the Michigan Land Bank Fast Track Authority, a Michigan public corporation which created the Wayne County Land Bank Corporation. The agreement requires the County to provide employees and other services to the Land Bank Corporation as required. The agreement is in effect until terminated under a resolution recommended by the Treasurer, and adopted by the Wayne County Commission.
- According to Article II Section 2.01 of the intergovernmental agreement, "The purpose of the agreement is to create and empower the County Land Bank to exercise the powers, duties, functions, and responsibilities as provided under the Land Bank Act for the benefit of the County and State. Additionally, these duties as they are being carried

out include, but are not limited to, the power, privilege, and authority to acquire, manage and dispose of interests in property and doing all other things necessary or convenient to implement the purposes, objectives, and provisions of the Land Bank Act and the purposes, objectives, and powers delegated to a County Land Bank under other laws or executive orders.”

EXTERNAL AUDITORS REPORTS AND LETTERS

- Land Bank Corporation received an “unqualified opinion” on the audited financial statements from Plante & Moran, PLLC. An unqualified opinion is issued by the external auditor when the financial statements are free of material misstatements and represented fairly in accordance with Generally Accepted Accounting Principles, which means that the entity’s financial condition, position, and operations are fairly presented in the financial statements. It is the best type of opinion an entity may receive from an external auditor.
- The auditors also issued a Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters. The report identified two deficiencies in internal controls over financial reporting: one considered to be a significant deficiency and the other considered to be a material weakness. A material weakness is the most severe level of controls deficiency an auditor can identify. Both deficiency issues identified in the report are related to accounting for revenue transactions and are listed below.

2013-001. Significant Deficiency – in the prior year, the Land Bank had approximately \$80,000 recorded as escrow liabilities related to properties in inventory. The Land Bank sold their entire inventory during the year and determined that the \$80,000 escrow liabilities should be reduced and recognized as revenue of the Land Bank. However, \$28,000 of the escrow liability was valid and should not have been recognized as revenue for the year ended September 30, 2013.

Recommendation – The Land Bank implement a system to ensure the release of escrow funds and recognition of revenue is performed in accordance with the applicable agreements.

Planned Corrective Action – According to Land Bank officials, in the future, funds in escrow will be tracked in accordance with applicable agreements.

2013-002. Material Weakness – At September 30, 2013, approximately \$526,000 of recorded balances were not valid receivables and liabilities. Specifically, the Land Bank recorded receivables and an offsetting liability related to the TURBO program at year end of approximately \$526,000. These receivables were initially recorded as they were received within 60 days of year end, with an offsetting liability for the same amount, as it has not been determined whether the funds would be returned to the developer. This is not the proper treatment under generally accepted accounting principles, as the funds were not deemed a valid receivable or payable of the Land Bank at September 30, 2013.

Recommendation – That proper reviews of receivables are in place to ensure compliance with generally accepted accounting principles.

Planned Corrective Action – Wayne County officials indicated they will include a detailed review of receivables and liabilities with the TURBO reconciliation process.

- The auditors issued the required letter of communication (Statement of Auditing Standards No. 114 or SAS #114) regarding the results of the audit. No deficiencies or material weaknesses were noted in the letter.

FINANCIAL RESULTS/OPERATIONS

Description	FY 2013	FY 2012	Increase (Decrease)	Primary Reasons
Current Assets	\$839,664	\$1,747,359	(\$907,695)	Equity in Pooled Cash and Investments, Accounts Receivable, and Due from Other Government
Current Liabilities	283,899	1,069,941	(786,042)	Accounts and Contracts Payable
Total Net Position	482,548	177,031	305,517	Decrease in program and operating expenses and completion of all funded projects and programs.

- ❖ Current assets and current liabilities decreased by \$907,695 and \$786,042, respectively. Total net position increased by \$305,517 from the prior year due to a general decrease in program and operating expenses. The decrease was mainly in personnel and fringe costs, and completion of federally funded projects.
- ❖ Land Bank relied in past years on grant funding from Wayne County to fund its operations. Wayne County did not allocate grant funds to the Land Bank in FY 2013 resulting in a decrease of \$1.7 million in local contribution revenue. Land Bank revenue relied primarily in FY 2013 on revenue generated through the TURBO program. There was a significant decrease in expenses including personnel and fringe benefits primarily due to Land Bank incurring layoffs as a result of the lack of funding.
- ❖ Significant changes in operations and operating expenses are related to the completion of the NSP program.
- ❖ Land Bank governmental fund balance for FY 2013 was \$587,615, a decrease of \$188,653 from the prior year. The entire amount was available for spending at the Land Bank's discretion.

POTENTIAL RISK EXPOSURES

- The Wayne County Land Bank Corporation relies on revenues generated through the TURBO program to support operations. The Land Bank has no budget appropriation for funding from Wayne County in fiscal year 2014.
- Lack of funding received from Wayne County will result in a decrease in revenue and overall operational activities.
- According to the notes to the financial statements, the Land Bank Corporation is subject to normal and unavoidable inherent risk associated with its cash and investments. Some examples of these risks are custodial credit risk for bank deposits and investments. The notes further indicate the Land Bank has adequate internal controls and policies and procedures to manage and mitigate these risks.

CONCLUSION and RECOMMENDATION

Based on our limited review, nothing came to our attention that caused us to believe the financial report, including audited financial statements and report on internal controls and compliance of Wayne County Land Bank Corporation are not presented in conformity with generally accepted accounting principles.

It is our recommendation that Wayne County Land Bank Corporation's audited financial statements for fiscal year ended September 30, 2013 be forwarded to the Wayne County Commission for receipt and filing.

Respectfully submitted,


Willie Mayo, CPA, CIA, CGAP, CGMA, CICA
Auditor General

Attachment

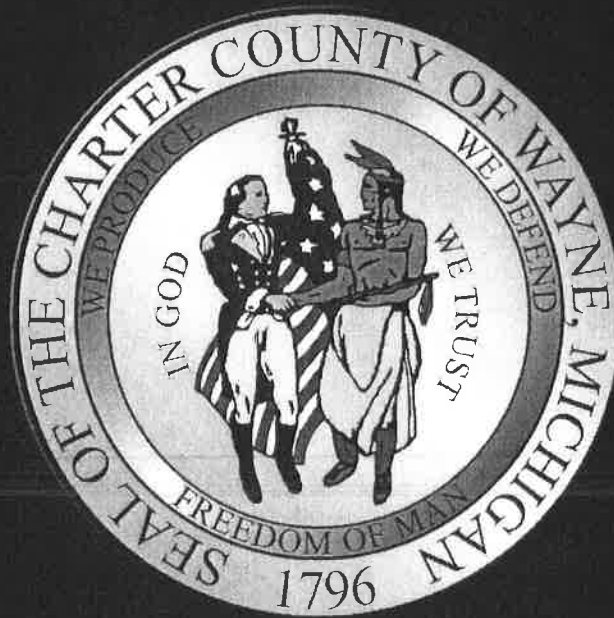
Cc: Honorable Raymond J. Wojotowicz, Chairperson, Wayne County Land Bank Corporation
Jano Hanna, Executive Director, Wayne County Land Bank Corporation
Mark Abbo, Chief Financial Officer, Management & Budget
Lyn Roberts, Deputy Chief Financial Officer, Management & Budget
Melinda Haner, Finance Director – Land Bank, Management & Budget
Terry L. Hasse, Director, Grants Compliance and Contract Management,
Management & Budget

Attachment

**Financial Statements for
Wayne County Land Bank Corporation
Fiscal Year 2013**

WAYNE COUNTY LANDBANK CORPORATION

A Component Unit of the Charter County of Wayne, Michigan



2013

WAYNE COUNTY LAND BANK CORPORATION
(A Component Unit of the Charter County of Wayne, Michigan)

Financial Statements and Independent Auditors' Report

For the Fiscal Year Ended September 30, 2013

WAYNE COUNTY LAND BANK CORPORATION

(A Component Unit of the Charter County of Wayne, Michigan)

September 30, 2013

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Independent Auditor's Report

To the Wayne County Land Bank Corporation Board of Directors,
the Wayne County Commission and the County Executive
Charter County of Wayne, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general operating fund of the Wayne County Land Bank Corporation, a component unit of the Charter County of Wayne, Michigan, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Wayne County Land Bank Corporation'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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.

To the Wayne County Land Bank Corporation Board of Directors,
the Wayne County Commission and the County Executive
Charter County of Wayne, Michigan

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general operating fund of the Wayne County Land Bank Corporation as of September 30, 2013, and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2014 on our consideration of the Wayne County Land Bank Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wayne County Land Bank Corporation's internal control over financial reporting and compliance.

Plante & Morse, PLLC

April 23, 2014

WAYNE COUNTY LAND BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

As management of the Wayne County Land Bank Corporation ("Land Bank"), we offer readers of the Land Bank's financial statements this narrative overview and analysis of the financial activities of the Land Bank for the fiscal year ended September 30, 2013.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights:

- The assets of the Land Bank exceeded its liabilities at September 30, 2013, by \$482,548 (total net position), \$853 of which is net investment in capital assets. The remaining amount of \$481,695 is available for spending at the Land Bank's discretion.
- In years past, the Land Bank relied on grant funding from Wayne County to fund its core operations. In fiscal year 2013, Wayne County did not allocate grant funding to the Land Bank, thus resulting in a decrease of \$1.7 million in local contributions revenue. Land Bank's fiscal year 2013 revenue was generated primarily through the TURBO program.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Land Bank's basic financial statements, which include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains a budgetary schedule as other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* provide a broad view of the Land Bank's operations in a manner similar to a private-sector business.

The *statement of net position* presents all of the Land Bank'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 Land Bank is improving or deteriorating.

The *statement of activities* presents information showing how the Land Bank's net position changed during the most recent fiscal year. All changes in the Land Bank's net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Land Bank uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Land Bank's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Land Bank's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Wayne County Land Bank Corporation is a public corporation that was created for the administration of public affairs and supported in whole or part by public funds, and officials appointed by local government, Wayne County, govern it. Therefore, the Land Bank is treated as a government entity, for accounting and auditing purposes, that is subject to generally accepted accounting principles (GAAP) for state and local governments.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9 to 24 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Land Bank's financial state. In the case of the Land Bank, assets exceeded liabilities by \$482,548 at September 30, 2013.

Wayne County Land Bank Corporation
(A Component Unit of the Charter County of Wayne, Michigan)
Net Position
As of September 30

	<u>2013</u>	<u>2012</u>
Current assets	\$ 839,664	\$ 1,747,359
Capital assets	853	2,752
Total assets	<u>840,517</u>	<u>1,750,111</u>
Current liabilities	283,899	1,069,941
Non-current liabilities	74,070	503,139
Total liabilities	<u>357,969</u>	<u>1,573,080</u>
Net position:		
Net investment in capital assets	853	2,752
Unrestricted	481,695	174,279
Total net position	<u>\$ 482,548</u>	<u>\$ 177,031</u>

Current assets and current liabilities decreased by \$907,695 and \$786,042, respectively. Total net position increased by \$305,517 due to a general decrease in program and operating expenses, mainly in personnel and fringe costs, and completion of federally funded projects and programs.

Wayne County Land Bank Corporation
(A Component Unit of the Charter County of Wayne, Michigan)
Change in Net Position
For the Year Ended September 30

	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Federal Grants	-	214,712
Local contributions	-	1,736,307
TURBO revenues	703,803	397,232
General revenues:		
Investment earnings	536	1,227
Total revenues	<u>704,339</u>	<u>2,349,478</u>
Program expenses:		
Salaries and wages	138,800	495,537
Fringe benefits other than retirement	62,877	266,457
Retirement pension & health care	26,684	258,380
Materials and supplies	843	4,616
Contractual services	111,087	253,839
Advertising	-	13,028
Demolition and abatement	-	-
Land development	12,774	554,286
Legal	20,107	242,328
Travel	1,090	4,136
Operating	5,049	97,867
Loss on sale of inventory	17,612	69,954
Depreciation	1,899	3,138
Total program expense	<u>398,822</u>	<u>2,263,566</u>
Change in net position	305,517	85,912
Net position at October 1	<u>177,031</u>	<u>91,119</u>
Net position at September 30	<u>\$ 482,548</u>	<u>\$ 177,031</u>

- The federally-funded NSP grant revenues decreased by \$214,712 due to less demolition activity in fiscal year 2013. The Land Bank received a fixed allocation of NSP grant funding from Wayne County for use on demolition projects. The grant dollars were fully spent in fiscal year 2012.
- Local contributions revenue decreased by \$1.7 million in fiscal year 2013. Local contributions revenue represents grant funds received from Wayne County. Wayne County did not appropriate grant funds to Land Bank in fiscal year 2013. The decrease in personnel and fringe benefits is due primarily to Land Bank incurring layoffs of personnel in early fiscal year 2013 due to lack of funding received from Wayne County.
- The decrease in contractual services was primarily due to all projects ending in fiscal year 2012 in regards to the NSP grant. No NSP grant expenditures were incurred in fiscal year 2013.
- Significant changes in the operations and operating expenses are related to completion of the NSP program. The overall decrease in revenue and expense activity is a result of the lack of funding received from Wayne County.

Financial Analysis of the Land Bank's Fund

As noted earlier, the Land Bank uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Land Bank's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Land Bank's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Land Bank's governmental fund reported ending fund balance of \$587,615, a decrease of \$188,653 in comparison with the prior year. The entire amount constitutes *unassigned fund balance*, which is available for spending at the Land Bank's discretion.

Budgetary Highlights

A budget is adopted for the year. Amendments are prepared as necessary. No reclassifications were made this fiscal year that were significant budget adjustments to account for any activity.

Economic Factors and Next Year's Budgets and Rates

- The Wayne County Land Bank Corporation relies on revenue generated through the TURBO program.
- The Land Bank has no budget appropriated for funding from Wayne County in the next fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Land Bank's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Wayne County Land Bank Corporation, 500 Griswold, 30th Floor, Detroit, Michigan 48226.

WAYNE COUNTY LAND BANK CORPORATION
(A Component Unit of the Charter County of Wayne, Michigan)
Governmental Fund Balance Sheet and Statement of Net Position
As of September 30, 2013

	General Operating Fund	Adjustments	Statement of Net Position
Assets:			
Current assets:			
Equity in pooled cash and investments (Note 3)	\$ 686,242	-	\$ 686,242
Other cash and investments (Note 3)	5,500	-	5,500
Accounts receivable	147,922	-	147,922
Total current assets	839,664	-	839,664
Non-current assets:			
Capital assets:			
Depreciable, net (Note 4)	-	853	853
Total assets	<u>\$ 839,664</u>	<u>\$ 853</u>	<u>\$ 840,517</u>
Liabilities and fund balance/net position:			
Current liabilities:			
Accounts and contracts payable	\$ 243,948	-	\$ 243,948
Liability for compensated absences	-	31,850	31,850
Other liabilities	8,101	-	8,101
Total current liabilities	252,049	31,850	283,899
Non-current liabilities:			
Net pension obligation (Note 6)	-	28,769	28,769
Other post-employment benefits (Note 7)	-	45,301	45,301
Total liabilities	252,049	105,920	357,969
Fund balance:			
Unassigned	587,615	(587,615)	-
Net position:			
Net investment in capital assets	-	853	853
Unrestricted	-	481,695	481,695
Total fund balance/net position	587,615	(105,067)	482,548
Total liabilities and fund balance/net position	<u>\$ 839,664</u>	<u>853</u>	<u>\$ 840,517</u>

See accompanying notes to the basic financial statements.

WAYNE COUNTY LAND BANK CORPORATION
(A Component Unit of the Charter County of Wayne, Michigan)
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance
and Statement of Activities
For the Year Ended September 30, 2013

Functions/Programs:	Statement of Revenues, Expenditures, and Changes in Fund Balance	Adjustments	Statement of Activities
Expenditures/expenses:			
Salaries and wages	\$ 138,800	-	\$ 138,800
Fringe benefits other than retirement	62,877	(67,000)	(4,123)
Retirement pension and health care	522,753	(429,069)	93,684
Contractual services	111,087	-	111,087
Land development	12,774	-	12,774
Legal	20,107	-	20,107
Travel	1,090	-	1,090
Materials and supplies	843	-	843
Operating	5,049	-	5,049
Loss on sale of inventory	17,612	-	17,612
Depreciation	-	1,899	1,899
	<hr/>	<hr/>	<hr/>
Total expenditures/expenses	892,992	(494,170)	398,822
	<hr/>	<hr/>	<hr/>
Program revenues:			
TURBO revenues	703,803	-	703,803
	<hr/>	<hr/>	<hr/>
Total program revenues	703,803	-	703,803
	<hr/>	<hr/>	<hr/>
Net program expenses	(189,189)	494,170	304,981
	<hr/>	<hr/>	<hr/>
General revenues:			
Interest and rents	536	-	536
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures/change in net position	(188,653)	494,170	305,517
	<hr/>	<hr/>	<hr/>
Fund balance/net position at October 1, 2012	776,268	(599,237)	177,031
	<hr/>	<hr/>	<hr/>
Fund balance/net position at September 30, 2013	\$ 587,615	(105,067)	\$ 482,548
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See accompanying notes to the basic financial statements.

WAYNE COUNTY LAND BANK CORPORATION
(A Component Unit of the Charter County of Wayne, Michigan)
Notes to Basic Financial Statements
For the year ended September 30, 2013

(1) Reporting Entity

The Wayne County Land Bank Corporation ("Land Bank"), a discretely presented component unit of the Charter County of Wayne, Michigan ("County"), was incorporated October, 2006 under the provisions of Section 5 of Article 3, and Section 28 of Article 7, of the Michigan Constitution of 1963 and the Land Bank Fast Track Act, 2003 PA 258 MCL 124.751 to 124.774. Under these provisions, an intergovernmental agreement ("Agreement") was entered into between the Land Bank and the Michigan Land Bank Fast Track Authority ("Authority"), a public body corporate and politic within the Michigan Department of Labor and Economic Growth, and the Wayne County Treasurer. This agreement established Land Bank as a separate legal entity and public body corporate to administer and execute Land Bank objectives.

The Land Bank's Articles of Incorporation provide for a governing body of five members ("Board"). The five members include the Wayne County Treasurer, or his designee, three appointments made by Wayne County's Chief Executive Officer ("CEO"), and one appointment by the Wayne County Commission. For financial reporting purposes, the Land Bank is a component unit of the County because each member of the Board is either a County employee, or appointed by the CEO, which indicates that the County is able to either directly or indirectly impose its will on the Land Bank.

The objectives of the Land Bank are to acquire, manage and dispose of interests in public, tax-reverted property, to foster development of that property and promote economic growth. One program, TURBO, reimburses investors by giving cash back to property owners who make significant real estate investments in the County. The Land Bank also sells abandoned property at affordable rates, works with non-profit organizations and developers to provide economic support for new developments, and demolishes and maintains blighted property to create cleaner, safer neighborhoods.

The Land Bank generates revenue from the collection of 50 percent of eligible tax reverted property specific tax, pursuant to the Tax Reverted Clean Title Act, 2003 PA 260 MCL 211.1021 – 211.1025.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The government-wide financial statements are reported 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 flow takes place. Non-exchange transactions, in which the Land Bank gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Land Bank considers revenues to be available if they are collected within sixty days of the end of the current period. Interest and rents, and charges for services are susceptible to accrual. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

WAYNE COUNTY LAND BANK CORPORATION
(A Component Unit of the Charter County of Wayne, Michigan)
Notes to Basic Financial Statements
For the year ended September 30, 2013

(2) Summary of Significant Accounting Policies, continued

(b) Basis of Presentation

Government-wide Financial Statements

The government-wide statement of net position and statement of activities report the overall financial activity of the Land Bank. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for the Land Bank's governmental activities. Program revenues include: (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of the Fund. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

The accounts of the Land Bank are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

The financial statements of the Land Bank include a General Operating Fund, which is a governmental fund type. This fund accounts for all financial resources and expenditures.

(c) Assets, Liabilities and Fund Balance/Net Position

i. Cash and Investments

Cash resources of the Land Bank are pooled and invested. Interest on pooled investments is allocated among the respective County funds based on average investment balances. Securities traded on national and international exchanges are valued at last reported sales price at current exchange rates, which represent fair value. Investments that do not have an established market are reported at estimated fair market value. Gains or losses on investments sold or exchanged are recognized when the transactions are completed which approximates their settlement dates.

ii. Inventory Held for Sale

Real property inventory consists of properties donated to the Land Bank from financial institutions, the Wayne County Treasurer and not-for-profit organizations. Properties are evaluated and recorded at the lower of cost or market at the time of purchase or donation and are removed from inventory when title to the property transfers from the Land Bank to the purchaser. In the governmental fund, the fund balance is reported as unspendable for the amount of inventory on hand at fiscal year end. At September 30, 2013, Land Bank inventory is \$0.

WAYNE COUNTY LAND BANK CORPORATION
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 Notes to Basic Financial Statements
 For the year ended September 30, 2013

(2) Summary of Significant Accounting Policies, continued

iii. Capital Assets

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Machinery and equipment is depreciated over five years.

Expenditures greater than \$5,000 for capital assets and for major renewals and betterments that extend the estimated useful life of the assets are capitalized; routine maintenance and repairs are charged to expense as incurred. At the time capital assets are disposed of, the costs and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in the results of operations.

iv. Deposits

Deposits represent funds received from purchasers on property currently held for resale, where the title has not yet transferred from the Land Bank to the purchaser. Upon ratification of the purchase agreement, the deposit on a particular piece of land will be offset against the value of the inventory to determine the gain or loss on sale. Deposits on hand at September 30, 2013 are \$0.

v. Compensated Absences

County employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned and sick pay vests upon completion of two years of service. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding these limitations are forfeited.

In the government-wide financial statements, all vacation and sick pay is accrued when earned by the employee. In the fund financial statements, the funds report a liability for vacation and sick pay for employees who have separated from the County, however, their accrued vacation and sick pay remain due and payable at year-end.

Changes in the liability for compensated absences for the year ended September 30, 2013 are as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due within one year
Compensated absences	98,850	31,850	(98,850)	31,850	31,850

vi. Deferred Revenue

In the fund financial statements, deferred revenue represents revenue that is estimable but not available to finance current operations. Accordingly, these amounts are deferred until such time as they are available. The Land Bank does not have deferred revenue at September 30, 2013.

WAYNE COUNTY LAND BANK CORPORATION
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(2) Summary of Significant Accounting Policies, continued

vii. Accounts Payable and Other Liabilities

The majority of accounts payable represent amounts owed to developers participating in the TURBO program. Other liabilities represent accrued wages and fringe benefits. The Land Bank does not have deposit liabilities or liabilities in escrow at September 30, 2013.

viii. Pension and other post employment benefit costs

The County offers both pension and retiree health care benefits to retirees. The County receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the County reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

ix. Fund Balance/Net Position

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions or enabling legislation for use of a specific purpose
- **Committed:** Amounts that have been committed for specific purposes by formal action of the government's highest level of decision-making authority (i.e. Wayne County Land Bank Board). Commitments are made and can be rescinded only via resolution of the Wayne County Land Bank Board
- **Assigned:** Land Bank reports assigned fund balance for amounts that are constrained by the government's intent (i.e., Wayne County Land Bank Board) to be used for specific purposes, but are neither restricted nor committed
- **Unassigned:** Residual amounts remaining in the general operating fund.

The entire fund balance in the governmental fund has been reported as unassigned at September 30, 2013.

The government-wide financial statements utilize a net position presentation. Net position is typically categorized as net investment in capital assets (net of related debt), restricted and unrestricted. Net position is restricted when externally imposed by creditors, grantors, contributors, laws or regulations or constitutional provisions.

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For the year ended September 30, 2013

(2) Summary of Significant Accounting Policies, concluded

If there is an expenditure incurred for purposes for which both restricted and unrestricted fund balance is available, the County shall consider restricted fund balance to have been spent before unrestricted fund balance. Further, if there is an expenditure incurred for purposes for which committed, assigned, or unassigned fund balance classifications could be used, then the County will consider committed fund balance to be spent before assigned fund balance, and consider assigned fund balance to be spent before unassigned fund balance.

(d) Other

i. *Gains or Losses from the Sale of Inventory*

Gains or losses from the sale of property represent results of property sales at the time the purchase agreement is ratified. The estimated market value of the property is offset against the selling price, to determine the net gain or loss resulting from the sale of property.

ii. *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 expenditures during the reporting period. Actual results could differ from those estimates.

(3) Cash and Investments

State statutes (Public Act 20 of 1943, as amended) place limitations on the nature of deposits and investments available to the County. Deposits include demand deposits, money markets, and certificates of deposits in federally insured banks, credit unions and savings and loan associations that have offices in the State of Michigan. Statutes authorize the County to invest in obligations of the U.S. Treasury or any agency or instrumentality of the United States, certain commercial paper, repurchase agreements, bankers' acceptances of United States banks, external investment pools (organized under Public Act 367 or 121), mutual funds composed of otherwise legal investments (except those with fluctuating per share value), and certain obligations of the State of Michigan or its political subdivisions.

The investment policy adopted by the County, in accordance with Public Act 20 of 1943, as amended authorizes investments in U.S. Treasuries, agencies, and instrumentalities, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings bank, or savings and loan association that is a member of the Federal Deposit Insurance Corporation (FDIC). The Treasurer may invest in commercial paper (rated A2/P2 or above), repurchase agreements, and bankers' acceptances. Investment pools organized under the Urban Cooperation Act of 1967, PA 7, MCL 124.501 to 124.512 under the local government investment pool Act of 1985, PA 121, MCL 129.141 to 129.150 and investment pools organized under the surplus funds investment act, 1982 PA 367, MCL 129.111 to 129.118 are also permitted. Investments may also be made in mutual funds registered under the investment company Act of 1940 Title I of Chapter 686, 54 stat. 789, 15 U.S.C. 80A-1 to 80A-3 and 80A-4 to 80A-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation, which maintain a rating of AAA or better by a nationally recognized statistical rating agency or that maintain a net \$1.00 share value. The foremost objective of the investment policy is the safety of investment principal.

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(3) Cash and Investments, continued

The County Treasurer's cash and investments are subject to several types of risk, which are discussed in more detail below.

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the government's deposits may not be recovered. The County's investment policy requires that deposits over the \$250,000 insured limit in a commercial bank shall not equal more than 25% of the combined capital and surplus of that bank, savings bank, or savings and loan association and that institution must meet minimum standards of at least one standard rating service. If deposits in a credit union exceed the insured limit, that institution must meet the minimum standards of at least one standard rating service. At year-end, the County portfolio had \$534.4 million of bank deposits (primarily demand deposits and certificates of deposit) with a carrying value of \$533.8 million that were largely uninsured and uncollateralized. Other primary government depository accounts (outside of the portfolio administered by the Treasurer) had a total bank balance of \$5.7 million. The County believes that due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the County evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with acceptable levels of estimated risk are used as depositories.

Custodial Credit Risk of Investments – Following is a summary of the County's investments as of September 30, 2013 (in thousands):

U.S. agency bonds	\$	7,000
Municipal bonds		31,475
Money market funds		14,587
	\$	<u>53,062</u>

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either the counterparty, or the counterparty's trust department or agent, but not in the County's name.

The County's investment policy requires that bonds, securities, and obligations of the United States or an agency or instrumentality of the United States must be held in the name of the County Treasurer, be purchased using the delivery versus payment procedure, and be held in third party safekeeping. Commercial paper should either be purchased directly from the issuing corporation, or be held in safekeeping by a third party institution. At year-end, none of the County's portfolio investments were subject to custodial credit risk due to one of the following:

- Investments were held by a third-party safe-keeper in the County's name.
- Investments were held by a trustee in the County's name.
- Investments were part of a mutual fund.

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(3) Cash and Investments, continued

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In compliance with State law, the County's investment policy limits investments of commercial paper to the two highest classifications established by not less than two standard rating services, and which mature not more than 270 days after the date of purchase.

As of year-end, the credit quality ratings of pooled County investments (other than the U.S. government) are as follows for the primary government (non-fiduciary) (in thousands):

Investment Type	Fair Value	Rating	Agency
Government agency bonds	\$ 7,000	AA+	S&P
Municipal bonds	1,170	AA	S&P
Municipal bonds	4,110	AA-	S&P
Municipal bonds	920	AA1	Fitch
Municipal bonds	2,255	Aa2	Moody's
Municipal bonds	2,115	Aa2	S&P
Municipal bonds	2,500	MIG 1	Moody's
Municipal bonds	18,405	SP-1	S&P
	<u>31,475</u>		
Money market funds	1,021	AAAm	S&P
Money market funds	12,594	Aaa-mf	Moody's/Fitch
Money market funds	972	Not Rated	N/A
	<u>14,587</u>		
Total	<u><u>\$ 53,062</u></u>		

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investments with a single issuer. Through its investment policy, the County places limits on the amount the County may invest in any one issuer, along with the minimal capital strength of those issuers. There are also limits as to the use of specific types of instruments, along with limits upon use of a single institution. These limits are as follows:

Limits using capital strength test – Maximum investment is 25% of combined capital and surplus position of that financial institution.

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 Notes to Basic Financial Statements
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(3) Cash and Investments, continued

Limits based upon use of specific instruments –

Investment Type	Limit
Bankers' acceptances	50%
Repurchase agreements	25%
U.S. government	100%
Commercial paper	60%
Money market funds, mutual funds and investment	50%
Certificates of deposit (bank)	50%
Certificates of deposit (credit unions)	10%
Certificates of deposit (savings and loan associations)	10%

County limits based on use of a single issuer –

Investment Type	Limit
Bankers' acceptances	25% of total portfolio
Repurchase agreements	10% of total portfolio
Certificates of deposit (bank)	33% of total portfolio
Certificates of deposit (S&L)	5% of total portfolio

At year-end, the County's investment portfolio did not exceed the limits based on use of specific instruments or use of a single issuer.

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 County's investment policy addresses this risk by limiting the maturities on investments:

Fund/Fund Type	Maturity Maximum
General fund, operating funds	One Year
Debt service, special assessment, nonexpendable trust funds	Five Years
Delinquent tax revolving fund	Four Years
Funds subject to federal arbitrage restrictions	Varies

The County's investment policy also dictates that for operating funds, investment maturities shall be scheduled to coincide with projected cash flow needs, according to the following general guidelines:

Length of Maturity	Percent of Portfolio (minimums)
Under 30 days	10%
Under 90 days	25%
Under 270 days	50%
Under one year	100%

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Notes to Basic Financial Statements
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(3) Cash and Investments, concluded

Investments as of September 30, 2013 adhere to the guidelines concerning limits on maturities of investments.

At year-end, the average maturities of investments subject to interest rate risk are as follows:

	Fair Value (in thousands)	Avg. Days to Maturity
Government agency bond	\$ 7,000	841
Municipal bonds	<u>31,475</u>	434
Investments subject to risk	<u>\$ 38,475</u>	

Cash and investments in the pooled accounts are allocated to the respective County funds and accounts based on an internal ledger system maintained by the County Treasurer. At September 30, 2013, the Land Bank's equity in pooled cash and investments and other cash and investments totaled \$691,742. Other cash and investments include cash on hand of \$500 and an imprest checking account with a balance of \$5,000. No pooled amounts are directly attributable to a specific bank account or investment.

(4) Capital Assets

The following summarizes the changes in the capital assets at September 30, 2013:

	Balance at October 1, 2012	Increases	Decreases	Balance at September 30, 2013
Depreciable assets:				
Machinery and equipment	\$ 15,691	-	-	\$ 15,691
Accumulated depreciation:				
Machinery and equipment	12,939	1,899	-	14,838
Capital assets, net	<u>\$ 2,752</u>	<u>(1,899)</u>	<u>-</u>	<u>\$ 853</u>

Depreciation expense for the year ended September 30, 2013 totaled \$1,899.

(5) Budget Matters

The budgetary comparison schedule is presented as required supplementary information on page 25. At September 30, 2013, actual revenues exceeded budgeted revenues by \$227,415 and expenditures were \$10,078 less than amounts budgeted.

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(6) Pension Plans

The Land Bank contributes to the Wayne County Employees' Retirement System (WCERS), a single-employer public employee retirement system, which is governed by the Wayne County Retirement Ordinance, as amended. The Retirement System provides five defined benefit retirement options, four of which are contributory (together, the Defined Benefit Plan) and a Defined Contribution Plan. The Retirement System provides retirement, survivor, and disability benefits to substantially all County employees, including those assigned to the Land Bank. The Plan issues a publicly available financial report that is included in the Comprehensive Annual Financial Report for the County of Wayne, Michigan. Copies of financial statements for each plan can be obtained from the Wayne County Employees' Retirement System, 28 W. Adams, Suite 1900, Detroit, Michigan 48226.

The obligation to contribute to and maintain the Plan System for these employees was established by negotiations with the County's collective bargaining units. The ability to amend the Plans rests with the Wayne County Board of Commissioners. Contributions from employees represent a percent of gross wages contingent on the ordinance and/or collective bargaining agreements.

The Land Bank contributes to the Defined Benefit Plan at an actuarially required rate of 48.74 percent for fiscal year 2013 for employees enrolled in the Defined Benefit Plan. The Land Bank contributes to the Defined Contribution Plan based on matching contributions as a percent of wages specified by the Defined Contribution Plan, ordinance and/or collective bargaining agreements for employees enrolled in the Defined Contribution Plan. The Land Bank's contributions to the Defined Benefit and Defined Contribution Plans were \$67,247 for fiscal year 2013. The net pension obligation recorded in the Land Bank's financial statements was \$47,633 at the beginning of the fiscal year and \$45,301 at the end of the fiscal year.

(7) Other Post-Employment Benefit Obligations

Plan Description – The County provides other post retirement benefits under a single-employer defined benefit plan. The plan provides hospitalization and other health insurance for Wayne County retirees under the age of 65 and their dependents, pursuant to agreements with various collective bargaining units or other actions of the Wayne County Commission or Wayne County Retirement Board. In addition, the County covers the cost of federal Medicare premiums and supplemental hospitalization for retirees over 65 and their eligible dependents. The County also pays the cost of basic retiree life insurance, up to \$5,000 per employee, on a pay as you go basis. Substantially all County employees may become eligible for benefits if they reach normal retirement age while employed by the County. This plan covers all retirees of Wayne County and Wayne County Airport Authority pre-2002 retirees. The Plan has 3,749 employees in active service and 5,017 retired employees and beneficiaries currently receiving benefits as of September 30, 2012 with the results actuarially rolled back to October 1, 2011 on a "no gain/loss" basis. The plan does not issue separate financial statements.

Funding Policy – These benefits are funded on a pay-as-you-go basis and periodic pre-funding payments as determined by the County. The County, including the Airport Authority, paid a total of approximately \$44.8 million for health care and retirees' life insurance benefits for the fiscal year ended September 30, 2013, and an additional \$9.1 million for prefunding of certain component units and proprietary and fiduciary funds. There is no required contribution for the plan members.

WAYNE COUNTY LAND BANK CORPORATION
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Notes to Basic Financial Statements
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(7) Other Post-Employment Benefit Obligations, continued

Annual OPEB Costs and Net OPEB Obligation – The County's annual other postemployment benefit (OPEB) costs (expense) is calculated based on the *annual required contribution* (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standard's Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows (in thousands) the component of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

	Wayne County Pre and Post 2002 Retirees
Annual required contribution	\$89,439
Interest on net OPEB obligation (asset)	7,240
Adjustment to annual required contribution	(7,193)
Net OPEB cost (expense)	89,486
Contributions made	
Payments of current premiums	(44,802)
Advance funding	(9,106)
Increase (decrease) in net OPEB obligation (asset)	35,578
Net OPEB obligation (asset), beginning of year	180,993
Net OPEB obligation (asset), end of year	\$216,571

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and prior years were as follows:

Three-Year Trend Information
(Dollar amount in thousands)

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2011 ⁽¹⁾	\$90,504	32.4%	\$139,501
September 30, 2012 ⁽²⁾	\$86,712	52.1%	\$180,993
September 30, 2013	\$89,486	60.2%	\$216,571

(1) Excludes Airport Authority pre-2002 retirees

(2) Includes Airport Authority pre-2002 retirees

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(7) Other Post-Employment Benefit Obligations, concluded

Changes in the Land Bank's OPEB obligation for the year ended September 30, 2013 are as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
\$455,506	\$28,769	(\$455,506)	\$28,769

The amount of OPEB cost attributable to the Land Bank for the year ended September 30, 2013 was \$28,769. The Land Bank pre-funded OPEB in the amount of \$455,506 for the fiscal year.

Funding Status and Funding Progress – The funded status as of October 1, 2011 for the Wayne County plan, the date of the most recent actuarial valuation, was as follows (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
10/1/2009	-	\$1,513,956	\$1,513,956	0.0%	N/A	N/A
10/1/2011	-	\$1,531,491	\$1,531,491	0.0%	N/A	N/A
10/1/2012	-	\$1,568,535	\$1,568,535	0.0%	N/A	N/A

* Wayne County and the Airport Authority have a contractual agreement whereby the Airport Authority is responsible for 11.25 percent of the unfunded actuarial accrued liability in this plan. This percentage is for the coverage of the pre-2002 Airport Authority retirees.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the October 1, 2011 actuarial valuations for the Wayne County plan, the actuarial cost method used was the projected unit credit method with linear proration to decrement. The actuarial assumptions included a 4 percent investment rate of return, which is the rate of the expected long-term investment returns on the plans and a projected 3 percent salary increase. The plan used an annual healthcare cost trend rate of 9 percent initially, reduced to an ultimate rate of 5 percent after eight years, and a general inflation rate of 3 percent. The UAAL for the plan is being amortized using the straight-line method (level percent of pay amortized annually) over thirty years.

WAYNE COUNTY LAND BANK CORPORATION
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(8) Reconciliation of the Fund-based information to the Government-wide financial statements

Amounts reported in the Statement of Net Position column are different than the General Operating Fund because:

Total fund balance - General operating fund	\$ 587,615
Capital assets are not financial resources, and therefore not reported in the General operating fund (Note 5)	853
Compensated absences are not due and payable in the current period, and therefore are not reported in the General operating fund	(31,850)
Net pension obligation is not due and payable in the current period, and therefore is not reported in the General operating fund (Note 7)	(45,301)
Retiree health care costs are not due and payable in the current period, and therefore are not reported in the General operating fund (Note 8)	(28,769)
Net position of governmental activities	<u>\$ 482,548</u>

Amounts reported in the Statement of Activities column are different than the General Operating Fund because:

Net change in fund balance - General operating fund	\$ (188,653)
The General operating fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation (Note 5):	
Current year depreciation expense	(1,899)
Retiree health care costs are reported in the General operating fund as they are paid; however, the statement of activities reports the expense as the obligation would be funded via the actuarially required contribution (Note 8)	426,737
Pension costs are reported in the General operating fund as they are paid; however, the statement of activities reports the expense as the obligation would be funded via the actuarially required contribution (Note 7)	2,332
Compensated absences are reported in the General operating fund as they are paid; however, the statement of activities reports the current year expense	67,000
Net position of governmental activities	<u>\$ 305,517</u>

(9) Commitments and Contingencies

During the year ended September 30, 2013, there were no legal settlements or outstanding cases. Also, subsequent to September 30, 2013, there has been no outstanding litigation and, as such, no liabilities have been recorded on the accompanying financial statements.

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(10) Accounting and Reporting Change

During the year, the County adopted GASB Statement No. 61, The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34. The objective of this statement is to improve financial reporting by modifying certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government or a blended component unit. In order to conform the reporting of component units under the new GASB 61 requirements, the activities of the Land Bank were evaluated against GASB 61 criteria. Based on the evaluation, the Land Bank continues to be reported as a separate discretely presented component unit in the County's Comprehensive Annual Financial Report.

(11) Upcoming Reporting Changes

Statement No. 65, Items Previously Reported as Assets and Liabilities

In March 2012, the GASB issued GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the Land Bank beginning October 1, 2013.

Statement No. 68, Accounting and Financial Reporting for Pensions

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The Land Bank is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for financial statements for the year ended September 30, 2015.

WAYNE COUNTY LAND BANK CORPORATION
(A Component Unit of the Charter County of Wayne, Michigan)
Required Supplementary Information
Budgetary Comparison Schedule
For the Year Ended September 30, 2013

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Interest	-	536	536	-
TURBO revenue	200,000	476,388	703,803	227,415
Total revenues	200,000	476,924	704,339	227,415
Expenditures:				
Personnel	130,116	138,800	138,800	-
Fringe benefits	53,998	518,733	518,383	350
Retirement	36,325	68,000	67,247	753
Contractual services	136,100	152,559	143,968	8,591
Travel	2,000	1,090	1,090	-
Materials and supplies	4,000	538	843	(305)
Operating	14,492	5,738	5,049	689
Loss on sale of inventory	-	17,612	17,612	-
Total expenditures	377,031	903,070	892,992	10,078
Excess of revenues over expenditures	(177,031)	(426,146)	(188,653)	237,493
Fund balance at October 1, 2012	776,268	776,268	776,268	-
Fund balance at September 30, 2013	\$ 599,237	350,122	587,615	\$ 237,493

See accompanying note to required supplementary information.

WAYNE COUNTY LAND BANK CORPORATION
(A Component Unit of the Charter County of Wayne, Michigan)
Note to Required Supplementary Information
For the year ended September 30, 2013

(1) Budgets and Budgetary Accounting

Budgets shown in the financial statements for the General Operating fund were prepared on the modified accrual basis used to reflect actual results.

The Executive Director prepares and submits a proposed operating budget to the Wayne County Land Bank Board (Board) for the Fiscal Year beginning October 1. The operating budget is adopted by the Board of Directors. Amendments to the operating budget are prepared and submitted to the Board for approval. The legal level of budgetary control for the Wayne County Land Bank is at the fund level. The budget has been adopted on the basis of fund totals, and the line item detail is shown for additional analysis only. During the year, the amended budget was expended before it was approved by the Board. Significant budget amendments relate to the increase in TURBO revenue generated.

For budgetary purposes at year end, encumbrances of the budgeted governmental fund, representing purchase orders, contracts and other commitments, lapses and must be re-appropriated in the following year. All unencumbered appropriations lapse at the end of the year.



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