

Office of Legislative
Auditor General

MARCELLA CORA CPA, CIA, CICA
AUDITOR GENERAL



500 GRISWOLD STREET
STE. 842 GUARDIAN BLDG
DETROIT, MICHIGAN 48226

TELEPHONE: (313) 224-8354

April 23, 2024

FINAL REPORT TRANSMITTAL LETTER

Wayne County Commission:

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, 2023. Our report is dated April 5, 2024; DAP No. 2024-57-902. The report was accepted by the Committee on Audit at its meeting held on April 17, 2024, and formally received by the Wayne County Commission on April 23, 2024.

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: <https://www.waynecounty.com/elected/commission/office-of-the-legislative.aspx>.

Sincerely,

Marcella Cora, CPA, CIA, CGMA, CICA
Auditor General

REPORT DISTRIBUTION

Wayne County Treasurer

Honorable Eric Sabree, Chairperson, Wayne County Land Bank Corporation

Wayne County Land Bank Corporation

Anthony Cartwright, Executive Director, Wayne County Land Bank Corporation

Department of Management & Budget

John Wallace, Chief Financial Officer

Robert Widigan, Chief Deputy Financial Officer

Yogesh Gusani, Deputy Chief Financial Officer

Shauntika Bullard, Director, Grants and Contract Management

Wanda Taylor, Division Director, Economic Development Finance

Wayne County Executive



WAYNE COUNTY OFFICE OF LEGISLATIVE AUDITOR GENERAL

County of Wayne, Michigan
Office of Legislative Auditor General

Financial Assessment – Limited Review Report

Wayne County Land Bank Corporation
Fiscal Year Ended September 30, 2023
Financial Statements

DAP NO. 2024-57-902

April 5, 2024

Office of Legislative
Auditor General

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TELEPHONE: (313) 224-8354

April 5, 2024

DAP No. 2024-57-902

Honorable Melissa Daub, Chairwoman
Committee on Audit
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, 2023.

Dear Chairwoman Daub:

The Office of Legislative Auditor General (OAG) received the Wayne County Land Bank Corporation's (Land Bank) financial report together with the Independent Auditors' Report for the fiscal year ended September 30, 2023 (Appendix A). Because we have performed more extensive financial reviews of the Land Bank's financial report in years past, 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 report and supplemental information for the fiscal year ended September 30, 2023.

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

Our limited review of the Land Bank's audited financial report, Independent Auditors' Report, and other auditor communications for the fiscal year ended September 30, 2023, 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 report and other reports for consideration by the Committee and Commission members.

BACKGROUND

The Wayne County Land Bank Corporation (Land Bank), a discretely presented component unit of the Charter County of Wayne was incorporated in 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 (Public Act 258 of 2003; MCL 124.751 to 124.774). Under these provisions, an intergovernmental agreement was entered into between the Wayne County Treasurer and the Michigan Land Bank Fast Track. The agreement established the Land Bank as a separate legal entity and public body to administer and execute the Land Bank's objectives. The objectives of the Land Bank are to acquire, manage, and dispose of interests in public, tax-reverted property; foster development of that property; and promote economic growth.

The intergovernmental agreement requires the County to provide employees and other services to the Land Bank as required. It should be noted that while the County provides employees and services to the Land Bank, the Land Bank reimburses the County for all salaries and expenses.

The Land Bank is a public corporation that was created for the administration of public affairs and is supported in whole or in part by public funds. Officials are appointed by local government and the County which govern the Land Bank. 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.

The Land Bank's Articles of Incorporation provide for a governing body of five (5) members. The five members include the Wayne County Treasurer or his/her designee; three (3) appointments made by the Wayne County Executive; and one appointment made 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 County, and the County is able to either directly or indirectly impose its will on the Land Bank. The current Board Members and their term expirations can be found in Appendix B of this report.

Revenue is generated through 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 to 211.1025), as well as from sales of inventory. 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 had no budget appropriation for funding from Wayne County in fiscal years 2016 through 2023 and does not expect to budget for such funding for fiscal year ended 2024.

EXTERNAL AUDITOR'S REPORTS AND LETTERS

The Land Bank Corporation received an "Unmodified Opinion" on the audited financial statements for fiscal year ended September 30, 2023, from Plante & Moran, PLLC the external auditor for Wayne County. An Unmodified Opinion is issued when the external auditor concludes that the financial statements, taken as a whole, are presented fairly, in all material respects, the

financial position of the entity in accordance with Generally Accepted Accounting Principles (GAAP).

A report on Internal Controls over Financial Reporting and on Compliance with Laws, Regulations, Contracts, Grant Agreements and Other Matters was provided in accordance with Generally Accepted Government Auditing Standards. The report did not identify any deficiencies in internal control and disclosed no instances of noncompliance with other matters that are required to be reported under Government Auditing Standards.

The auditors issued a report that is required per auditing standards to communicate to those charged with governance. This report did identify an uncorrected misstatement during the testing of accounts receivable balances. It was noted that \$175,217 of cash receipts should have been recorded as a deposit in transit as compared to accounts receivable as of September 30, 2023. Management determined that effect was immaterially both individually and in aggregate, to the financial statements taken as a whole. However, uncorrected misstatements could potentially cause future period financial statements to be materially misstated.

FINANCIAL RESULTS/OPERATIONS – GOVERNMENTAL ACTIVITIES

Statement of Net Position

Description	FY 2023	FY 2022	Increase (Decrease)	Primary Reasons
Total Assets	\$7,835,155	\$7,386,457	\$448,698	Increase due to the purchase of multiple ROR properties during FY23, which are recorded at the true cash value.
Total Liabilities	\$105,374	\$131,712	(\$26,338)	Decrease due to less owed to various contractors for maintenance and lawn care services.
Total Net Position	\$7,729,781	\$7,254,745	\$475,036	Increase in total assets due to the purchase of ROR properties, as noted above.

**See Wayne County Land Bank Financial Report, FYE 9/30/2023, p. 4.*

- The assets of the Land Bank exceeded its liabilities by \$7,729,781 and \$7,254,745 (total net position) for the years ended September 30, 2023, and 2022, respectively. The increase in total assets and net position for the year ended September 30, 2023, primarily relates to the Land Bank purchasing multiple Right of First Refusal (ROR) properties, which are recorded at the true cash value. Non-ROR properties are carried at \$250 per parcel.
- The Land Bank's governmental fund ending balance for FY 2023 was \$7,729,781, an increase of \$475,036 from the prior year. The entire amount of the fund balance, other than the portion that is nonspendable for inventory and prepaid expenses, is unassigned, which means it is available for spending at the Land Bank's discretion.

Statement of Activities

Description	FY 2023	FY 2022	Increase (Decrease)	Primary Reasons
Total Revenues	\$1,923,457	\$1,487,915	\$435,542	Increase in more sales of parcels during 2023 compared to 2022.
Total Program Expenses	\$1,448,421	\$1,329,397	\$119,024	Slight increase in various contracting and administrative costs.
Change in Net Position	\$475,036	\$158,518	\$316,518	Increase resulting from increased revenues as noted above.

**See Wayne County Land Bank Financial Report, FYE 9/30/2023, p. 4.*

- Total revenue increased by \$435,542 (or about 29.3%) and program expenses increased by \$119,024 (about 9.0%) for 2023. The increase in revenue is the result of an increase in sales of parcels in FY 2023, as compared to prior year. The slight increase in expenditures is related to an increase in various contracting and administrative costs.

CONTINGENT LIABILITY (Note 4)

City of Highland Park v. Wayne County Land Bank, Wayne County Circuit Court Case No. 19-010949-CZ

The plaintiff, City of Highland Park, seeks unpaid stormwater drainage charges assessed to properties owned by the Land Bank. The Land Bank contends that the majority of its properties in the city are immune from the charges due to applicable state law that provides that the properties are involuntarily transferred from the county treasurer after foreclosure and lack of interested buyer. The trial court agreed with the Land Bank's position and dismissed the case. The city appealed. Liability now turns on the decision of the Michigan Court of Appeals.

If the Michigan Court of Appeals determines that land banks are responsible to pay stormwater drainage charges, the case will be remanded to the trial court level where a trial on damages will take place. At this time, the outstanding liability and possible risk of judgement would be approximately \$500,000.

CONCLUSION and RECOMMENDATION

Based on our review of the external auditor's opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and General Fund of the Wayne County Land Bank Corporation as of September 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

It is our recommendation that the OAG's Financial Assessment – Limited Review Report of the Wayne County Land Bank Corporation's financial statements for fiscal year ended September 30, 2023, is forwarded to the Wayne County Commission for receipt and filing.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Marcella Cora".

Marcella Cora, CPA, CIA, CICA
Auditor General

Cc: Honorable Eric Sabree, Chairperson, Wayne County Land Bank Corporation
Anthony Cartwright, Executive Director, Wayne County Land Bank Corporation
Jean-Vierre Adams, Chief Deputy Treasurer, Wayne County Treasurer's Office
John Wallace, Chief Financial Officer, M&B
Robert Widigan, Chief Deputy Financial Officer, M&B
Yogesh Gusani, Deputy Chief Financial Officer, M&B
Shauntika Bullard, Director, Grants and Contract Management, M&B
Wanda Taylor, Division Director, Economic Development Finance

Appendix A

Wayne County Land Bank Corporation
Year Ended September 30, 2023
Financial Statements

Wayne County Land Bank Corporation

(a component unit of the Charter County of Wayne, Michigan)

Financial Report
with Supplementary Information
September 30, 2023

Wayne County Land Bank Corporation

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Independent Auditor's Report

To the Board of Directors
Wayne County Land Bank Corporation

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and General Fund of the Wayne County Land Bank Corporation (the "Land Bank"), a component unit of the Charter County of Wayne, Michigan, as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the Land Bank's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and General Fund of the Wayne County Land Bank Corporation as of September 30, 2023 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Land Bank and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Land Bank's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Wayne County Land Bank Corporation

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Land Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Land Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 March 15, 2024 on our consideration of 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, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of Wayne County Land Bank Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wayne County Land Bank Corporation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

March 15, 2024

Wayne County Land Bank Corporation

Management's Discussion and Analysis

As management of the Wayne County Land Bank Corporation (the "Land Bank"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended September 30, 2023. Please read it in conjunction with the Land Bank's financial statements.

The Wayne County Land Bank Corporation is a public corporation that was created for the administration of public affairs and is supported in whole or in part by public funds. Officials are appointed by local government and Wayne County, Michigan, which govern the Land Bank. 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.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlight for the year ended September 30, 2023:

- The assets of the Land Bank exceeded its liabilities at September 30, 2023 and 2022 by \$7,729,781 and \$7,254,745 (total net position), respectively, all of which is available for spending at the Land Bank's discretion.

Overview of the Financial Statements

The discussion and analysis provided here are 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 required 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 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, revenue and expenses are reported for some items that will only result in cash flows in 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 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 balances of spendable resources available at the end of the fiscal years. Such information may be useful in evaluating the 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 on the Land Bank's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Wayne County Land Bank Corporation

Management's Discussion and Analysis (Continued)

Notes to the Basic Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Land Bank's major fund budgetary analysis.

	Governmental Activities		
	2022	2023	Change
Assets - Current assets	\$ 7,386,457	\$ 7,835,155	\$ 448,698
Liabilities - Current liabilities			
Accounts payable	85,063	61,974	(23,089)
Accrued liabilities and other	26,400	26,400	-
Unearned revenue	20,249	17,000	(3,249)
Total liabilities	131,712	105,374	(26,338)
Net Position - Unrestricted	\$ 7,254,745	\$ 7,729,781	\$ 475,036

As noted earlier, net position may serve over time as a useful indicator of the Land Bank's financial condition. In the case of the Land Bank, assets exceeded liabilities by \$7,729,781 and \$7,254,745 for the years ended September 30, 2023 and 2022, respectively. In addition, the increase of \$448,698 in current assets during the year ended September 30, 2023 primarily relates to the Land Bank purchasing multiple Right of First Refusal (ROR) properties, which are recorded at the true cash value. Non-ROR properties are carried at \$250 per parcel.

	Governmental Activities		
	2022	2023	Change
Revenue			
Intergovernmental	\$ 433,497	\$ 492,650	\$ 34,335
Inventory sales and related revenue	764,950	1,141,113	1,153,900
Inventory adjustment	255,133	89,559	299,680
Investment income	34,335	200,135	165,800
Total revenue	1,487,915	1,923,457	435,542
Program Expenses - Community and economic development	1,329,397	1,448,421	119,024
Change in Net Position	158,518	475,036	316,518
Net Position - Beginning of year	7,096,227	7,254,745	158,518
Net Position - End of year	\$ 7,254,745	\$ 7,729,781	\$ 475,036

Total revenue increased by \$435,542 (or about 29.3 percent) and program expenses increased by \$119,024 (or about 9.0 percent) for 2023. The increase in revenue is due to the Land Bank's increase in sales of parcels during 2023 as compared to 2022. The slight increase in expenditures is related to an increase in various contracting and administrative costs.

Wayne County Land Bank Corporation

Management's Discussion and Analysis (Continued)

Fund Analysis

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 fiscal years.

As of the end of fiscal year 2023, the Land Bank's governmental fund reported ending fund balance of \$7,729,781, an increase of \$475,036 from the prior year. The entire amount of fund balance, other than the portion that is nonspendable for inventory and prepaid expenses, is unassigned, which means it is available for spending at the Land Bank's discretion.

Budgetary Highlights

A budget is prepared each year. Amendments are prepared as necessary. No significant budget adjustments were made for the fiscal year.

Economic Factors and Next Year's Budgets and Rates

Again this year, the Land Bank has no budget appropriated for funding from Wayne County, Michigan in the next fiscal year. There are no anticipated significant economic factors or changes in budgets and rates in the upcoming year.

Requests for Further Information

This financial report is intended to provide a general overview of the Land Bank's finances. Questions concerning any of the information in this report or requests for additional information should be addressed to the Wayne County Land Bank Corporation, 500 Griswold, 28th Floor, Detroit, MI 48226.

Wayne County Land Bank Corporation

Statement of Net Position/Governmental Fund Balance Sheet

September 30, 2023

	General Fund - Modified Accrual Basis	Adjustments	Statement of Net Position - Full Accrual Basis
Assets			
Equity in pool cash and investments (Note 3)	\$ 3,653,114	\$ -	\$ 3,653,114
Receivables	199,641	-	199,641
Inventory	3,982,400	-	3,982,400
Total assets	<u>\$ 7,835,155</u>	-	7,835,155
Liabilities			
Accounts payable	\$ 61,974	-	61,974
Accrued liabilities and other	26,400	-	26,400
Unearned revenue	17,000	-	17,000
Total liabilities	105,374	-	105,374
Equity			
Fund balance:			
Nonspendable - Inventory	3,982,400	(3,982,400)	-
Unassigned	3,747,381	(3,747,381)	-
Total fund balance	7,729,781	(7,729,781)	-
Total liabilities and fund balance	<u>\$ 7,835,155</u>		
Net position - Unrestricted		<u>\$ 7,729,781</u>	<u>\$ 7,729,781</u>

Wayne County Land Bank Corporation

Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities

Year Ended September 30, 2023

	General Fund/Statement of Activities
Revenue	
Intergovernmental	\$ 492,650
Inventory sales and related revenue	1,141,113
Inventory adjustment	89,559
Investment income	200,135
Total revenue	1,923,457
Expenditures	
Current services - Community and economic development:	
Contractual services - Other	1,440,031
Office materials	8,390
Total expenditures	1,448,421
Net Change in Fund Balance/Net Position	475,036
Fund Balance/Net Position - Beginning of year	7,254,745
Fund Balance/Net Position - End of year	\$ 7,729,781

Note 1 - Nature of Business

The Wayne County Land Bank Corporation (the "Land Bank"), a discretely presented component unit of the Charter County of Wayne, Michigan (the "County"), was incorporated in 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 - 124.774. Under these provisions, an intergovernmental agreement (the "Agreement") was entered into between the Wayne County, Michigan treasurer and the Michigan Land Bank Fast Track (the "Authority"), a public body corporate and politic within the Michigan Department of Labor and Economic Growth. This Agreement established the Land Bank as a separate legal entity and public body corporate to administer and execute the Land Bank's objectives.

The Land Bank's Articles of Incorporation provide for a governing body of five members (the "Board"). The five members include the Wayne County, Michigan treasurer or his/her designee; three appointments made by the Wayne County, Michigan executive; and one appointment made by the Wayne County, Michigan 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 County, and 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; foster development of that property; and promote economic growth. The Land Bank also sells abandoned property at affordable rates, works with nonprofit 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, as well as from sales of inventory.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The Wayne County Land Bank Corporation follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the Wayne County Land Bank Corporation.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives: the government-wide perspective and the fund-based perspective. The individual fund columns present their activities on the modified accrual basis of accounting, as discussed above, which demonstrates accountability for how the current resources have been spent. The government-wide columns are presented on the economic resources measurement focus and the full accrual basis of accounting in order to measure the cost of providing government services and the extent to which constituents have paid the full cost of government services.

On the full accrual basis of accounting, revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 2 - Significant Accounting Policies (Continued)

Government-wide Financial Statements

The government-wide financial statements of net position and activities report the overall financial activity of the Land Bank. Governmental activities generally are financed through intergovernmental revenue and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for the Land Bank's governmental activities. Program revenue includes: (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 related operational or capital requirements. Revenue that is not classified as program revenue is presented as general revenue.

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 purposes 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.

Fund Accounting

Governmental funds include all activities that provide general governmental services. The Land Bank's only major fund is the General Fund, which is the primary operating fund because it accounts for all financial resources used to provide governmental services other than those specifically assigned to another fund.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions are transactions in which the Land Bank gives (or receives) value without directly receiving (or giving) equal value in exchange, including donations.

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Land Bank has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as retiree health care-related costs) are not counted until they come due for payment.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Land Bank considers amounts collected within 60 days of year end to be available for recognition.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Cash resources of the Land Bank are pooled and invested with other county investments. Interest on pooled investments is allocated among the respective county funds based on average investment balances.

Note 2 - Significant Accounting Policies (Continued)

Accounts Payable

The majority of these liabilities represent amounts owed to various contractors for maintenance and lawn care services.

Inventory

Real property inventory consists of properties donated to the Land Bank from the Wayne County, Michigan treasurer and the Michigan Land Bank and those obtained from right of refusal process. Properties are evaluated and recorded at acquisition value at the time of donation. Properties are removed from inventory when title of the property transfers from the Land Bank to the purchaser. In the General Fund, the fund balance is reported as nonspendable for the amount of inventory on hand at fiscal year end. The Land Bank's inventory balance was \$3,982,400 at September 30, 2023.

Unearned Revenue

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for unearned revenue. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

The Land Bank has unearned revenue of \$17,000 at September 30, 2023.

Net Position

Net position of the Land Bank is classified as unrestricted as September 30, 2023.

Net Position Flow Assumption

The Land Bank will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Policies

The fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Nonspendable - Amounts in the nonspendable fund balance classification 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 for a specific purpose

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Wayne County Land Bank Corporation's board is the highest level of decision-making authority for the Land Bank that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed.

Note 2 - Significant Accounting Policies (Continued)

Unassigned - Amounts in the nonspendable fund balance classification are not in spendable form or are legally or contractually required to be maintained intact.

If there is an expenditure incurred for the purpose for which committed, assigned, or unassigned fund balance classifications could be used, the Land Bank will consider committed or assigned fund balance, if any, before spending unassigned fund balance.

Note 3 - 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. The law also allows investments outside the state of Michigan when fully insured. The 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 that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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 Land Bank's cash, exclusive of \$500 of petty cash, is part of Wayne County, Michigan's pooled cash. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with state statutory authority, as listed above.

There are no limitations or restrictions on participant withdrawals for the Wayne County, Michigan investment pools, which are recorded at amortized cost.

The Land Bank's cash and investments are subject to custodial credit risk, which is 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 Land Bank's deposits may not be returned to it. The Land Bank does not have a deposit policy for custodial credit risk. The Land Bank believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. At year end, the Land Bank has \$3,653,114 as part of Wayne County, Michigan's pooled cash at September 30, 2023. The FDIC coverage for this is not independently ascertainable.

Note 4 - Contingent Liabilities

City of Highland Park v. Wayne County Land Bank, Wayne County Circuit Court Case No. 19-010949-CZ.

The plaintiff, City of Highland Park, Michigan, seeks unpaid stormwater drainage charges assessed to properties owned by the Land Bank. The Land Bank contends that the majority of its properties in the city are immune from the charges due to applicable state law that provides that the properties are involuntarily transferred from the county treasurer after foreclosure and lack of interested buyer. The trial court agreed with the Land Bank's position and dismissed the case. The city appealed. Liability now turns on the decision of the Michigan Court of Appeals.

If the Michigan Court of Appeals determines that land banks are responsible to pay stormwater drainage charges, the case will be remanded to the trial court level where a trial on damages will take place. At this time, the outstanding liability and possible risk of judgment would be approximately \$500,000.

Required Supplementary Information

Wayne County Land Bank Corporation

Required Supplementary Information Budgetary Comparison Schedule

Year Ended September 30, 2023

	Original/Final Budget	Actual	Variance with Original/Final Budget
Revenue			
Intergovernmental	\$ 390,228	\$ 492,650	\$ 102,422
Inventory sales and related revenue	578,000	1,141,113	563,113
Inventory adjustment	-	89,559	89,559
Investment income	10,000	200,135	190,135
Total revenue	978,228	1,923,457	945,229
Expenditures - Community and economic development	2,275,412	1,448,421	826,991
Net Change in Fund Balance	(1,297,184)	475,036	1,772,220
Fund Balance - Beginning of year	7,254,745	7,254,745	-
Fund Balance - End of year	<u><u>\$ 5,957,561</u></u>	<u><u>\$ 7,729,781</u></u>	<u><u>\$ 1,772,220</u></u>

Wayne County Land Bank Corporation

Note to Required Supplementary Information

September 30, 2023

Budgets and Budgetary Accounting

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

The executive director prepares an operating budget for the fiscal year beginning on October 1. The legal level of budgetary control for the Land Bank is at the activity level. The budget shown above is presented on the basis of activity totals. Public Act 2 of 1968 requires that all local units of government in Michigan adopt balanced budgets to establish responsibilities and define the procedures for preparation, adoption, and maintenance of the budget and the required certain information for the budget process.

Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government
Auditing Standards*



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Wayne County Land Bank Corporation

We have audited, 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, the basic financial statements of the governmental activities and General Fund of the Wayne County Land Bank Corporation (the "Land Bank") as of and for the year ended September 30, 2023 and the related notes to the basic financial statements, which collectively comprise the Land Bank's basic financial statements, and have issued our report thereon dated March 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Land Bank's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Land Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Land Bank's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Land Bank's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Land Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Directors
Wayne County Land Bank Corporation

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Land Bank's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Land Bank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Morse, PLLC

March 15, 2024

Appendix B
Wayne County Land Bank Corporation
Board of Directors and Term Expirations

Wayne County Land Bank Board of Directors

The Land Bank Corporation's Board of Directors consists of five (5) members. The Wayne County Treasurer, or designee, is the chairperson. Three (3) members are appointed by the Wayne County Executive, and one (1) member is appointed by the Wayne County Commission. With the exception of the chairperson, each board member serves a two-year term.

Board Members		
Name	Title	Term Ending
Eric Sabree Wayne County Treasurer	Board Chairman	Perpetual until removed
Irma Clark-Coleman Wayne County Commissioner, District 5	Member	2-year term expires on 10/19/2025
Hassan Sheikh Economic Development Director, Wayne County	Member	2-year term expires on 12/19/2025
Andrew Kandrevas, Office of the Wayne County Executive	Member	2-year term expires on 1/26/2025
Gregory Hurst Manager of Facilities Management and Planning, Wayne County	Member	2-year term expires on 4/17/2025