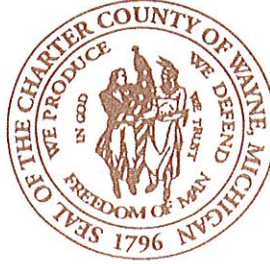


Office of Legislative
Auditor General

MARCELLA CORA CPA, CIA, CICA, CGMA
AUDITOR GENERAL



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

TELEPHONE: (313) 224-8354

July 12, 2019

FINAL REPORT TRANSMITTAL LETTER

Wayne County Commission:

Enclosed is our 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, 2018. Our report is dated May 3, 2019; DAP No. 2019-57-904. The report was accepted by the Committee on Audit at its meeting held on June 26, 2019 and formally received by the Wayne County Commission on July 9, 2019.

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
Desiree Kirkland, Deputy Treasurer Financial Services

Wayne County Land Bank Corporation

Daniel Rosenbaum, Executive Director, Wayne County Land Bank Corporation

Department of Management & Budget

Mathieu Dube, Interim Chief Financial Officer
Shauntika Bullard, Director, Grants and Contract Management

Wayne County Executive



WAYNE COUNTY OFFICE OF LEGISLATIVE AUDITOR GENERAL

County of Wayne, Michigan
Office of Legislative Auditor General

Financial Assessment – Limited Review Report

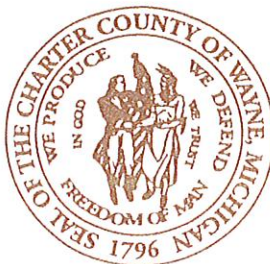
Wayne County Land Bank Corporation
Year Ended September 30, 2018
Financial Statements

DAP NO. 2019-57-904

May 3, 2019

Office of Legislative
Auditor General

MARCELLA CORA CPA, CIA, CICA, CGMA
AUDITOR GENERAL



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

TELEPHONE: (313) 224-8354

May 3, 2019

DAP No. 2019-57-904

Honorable Raymond E. Basham, Chairman
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, 2018.

Dear Chairman Basham:

The Office of Legislative Auditor General (OAG) received (see attachment) the Wayne County Land Bank Corporation's (Land Bank) financial statements for the fiscal year ended September 30, 2018. 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, 2018.

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 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, 2018, 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 statements 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 (5) members. The Wayne County Treasurer or his 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. The Land Bank is managed by an Executive Director selected by the Board of Directors.
- The Wayne County Land Bank Corporation generates program revenue from the TURBO Program which entails collection of 50 percent of eligible tax-reverted, property-specific tax, pursuant to the Tax Reverted Clean Title Act, 2003 PA 260 MCL 211.1021-1025. As of September 30, 2018, the TURBO program was closed out, and no deposits were on hand.
- The Land Bank had no budget appropriation for funding from Wayne County in fiscal years 2016, 2017 and 2018. According to the audited financial statements, the Land Bank has no budget appropriation for funding from Wayne County in the next fiscal year.
- 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. 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 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

- The Land Bank Corporation received a “Disclaimer of Opinion” on the audited financial statements from Plante & Moran, PLLC, the external auditor for Wayne County. The Land Bank also received a “Disclaimer of Opinion” on its audited financial statements for fiscal year ended September 30, 2017. A Disclaimer of Opinion is issued when the external auditor is unable to obtain sufficient appropriate audit evidence on which to base their opinion. The external auditors did not express opinions on the Land Bank’s financial statements for reasons discussed later in this report (*see the Basis for Disclaimer of Opinions section below*).
- A report on Internal Controls over Financial Reporting and on Compliance and Other Matters was provided in accordance with Generally Accepted Government Auditing Standards. The report identified one (1) area of noncompliance and two (2) deficiencies in internal controls; one (1) deficiency is considered a material weakness and the other deficiency is considered a significant deficiency (*see the Internal Control/Compliance section below*).
- As discussed in Note 5 to the basic financial statements, the 2017 basic financial statements have been restated to correct a misstatement. During the year ended September 30, 2018, the Land Bank determined that there was \$442,582 of revenue received in prior years related to the TURBO developer program that was not recorded in prior years. The increase in revenue resulted in a restated beginning fund balance of \$2,761,093 and a restated net position of \$2,725,785.

FINANCIAL RESULTS/OPERATIONS

Description	FY 2018	FY 2017 (as restated)	Increase (Decrease)	Primary Reasons
Total Assets	\$3,737,250	\$3,836,159	(\$98,909)	Decrease in pooled cash and investments, and a slight decline in inventory
Total Liabilities	\$159,283	\$1,110,374	(\$951,091)	Elimination of TURBO program deposits
Total Net Position	\$3,577,967	\$2,725,785	\$852,182	Significant decrease in liabilities related to the TURBO program

- The assets of the Land Bank exceeded its liabilities by \$3,577,967 (total net position) at September 30, 2018, all of which is available for spending at the Land Bank's discretion.
- For fiscal year 2018, the Land Bank's program revenues are primarily comprised of operating grants and contributions totaling \$2,172,862 as compared to \$939,900 in the prior year, an increase of \$1,232,962 (131%).
- During the fiscal year, the Land Bank ended the TURBO program, which resulted in no program revenue, as compared to \$1,256,960 in fiscal year 2017.
- Total program expenses decreased by \$9,263,340 (81%) for 2018 as compared to the prior year due to expenses relating to the sale of the 640 Temple site in FY 2017.
- The Land Bank's governmental fund ending balance for FY 2018 was \$3,565,891, an increase of \$804,798 from the prior year. With the exception of \$324,250 in nonspendable inventory, the entire governmental fund balance is unassigned and available for spending at the Land Bank's discretion. Per Land Bank management, most of this balance is not available for discretionary spending, but instead is already committed to reimburse the County for staff, administrative, and overhead costs. The Land Bank had a fund balance of \$758,708 at the end of FY 2018. Under current revenue forecasts, this balance will be depleted by FY 2022.

BASIS FOR DISCLAIMER OF OPINION

For the year ended September 30, 2018, the external auditors were unable to obtain sufficient appropriate audit evidence to provide a basis for audit opinions due to the following matters:

- The Land Bank does not record inventory activity in the general ledger throughout the year at the time of the transaction; there is only a true up done at year end based on schedules generated by the inventory system. These inventory system schedules are thus the driver for the ending inventory balance, the proceeds from sales of parcels, the fee revenue from right of refusal properties, and the contributed revenue recorded related to parcels transferred from the County. It was identified during the audit that inventory system schedules provided were incomplete. As a result, the external auditors were unable to perform auditing procedures to verify the accuracy of the balance sheet and income statement balances noted above.
- The Land Bank has chosen to value all properties in inventory at \$250 based on the fact that a majority of properties that come through the Land Bank are transferred from the County after they have not sold at auction and have been refused by the local unit. However, it was determined during the audit that the Land Bank obtains properties transferred from the County when the County has exercised its right of refusal and had taken ownership of properties prior to auction. As these properties did not go through the auction process unsold, they would not fall under the valuation methodology utilized by the Land Bank. Instead, they should be recorded at the acquisition value in accordance to

GASB Statement No. 72. The Land Bank was unable to provide the number of right of refusal properties held in inventory at year end. As a result, the external auditors were unable to determine the impact to the inventory balance at year end and the contributed revenue.

- The Land Bank enters into agreements with developers during the year to sell properties held in their inventory that have been transferred to the Land Bank following the County exercising its right of refusal option to purchase tax delinquent properties. Upon receipt of sale proceeds, the funds that Wayne County, Michigan paid for these delinquent properties are remitted from the Land Bank. The Land Bank then recognizes revenue equal to the difference between the sales price and the price that the County paid for the delinquent properties. However, it was identified that these transactions are not recorded at gross in the Land Bank's general ledger. As a result, the external auditors were unable to determine what impact the lack of incomplete activity would have on the Land Bank's financial statements at September 30, 2018.

INTERNAL CONTROL/COMPLIANCE

Finding 2018-001 – Significant Deficiency

The Land Bank should ensure that investments are reported at fair market value (FMV) in accordance with GAAP. As of fiscal year end 2018, the Land Bank's investments were not recorded at FMV. Due to the fact that the Land Bank's investments are pooled with the county's investments, the impact of the dollar amount to the Land Bank is unknown. The external auditors recommended the Land Bank place additional emphasis on producing complete and accurate financial information.

Finding 2018-002 – Material Weakness

The external auditors determined that the Land Bank does not have sufficient comprehensive processes and controls in place to complete its accounting and financial functions, which should include a review function that would prevent or detect misstatements. During the audit, adjustments to the accounting records were required in order to correctly state the Land Bank's financial statements at year-end, including an adjustment to revenue related to TURBO deposits that were appropriate to recognize in a prior period. Additionally, other entries were identified during the audit that were not recorded by management. The Land Bank was also unable to provide sufficient records for several material financial statement balances.

In addition, there were various adjustments to the financial statements that should have been made in order to correctly state the county's financial records at year-end, but were not, as management deemed these items to be immaterial to adjust in the accounting records. These are referred to as passed adjustments. The passed adjustments included corrections to state deferred inflows in accordance with GAAP, and to record compensated absences. These corrected and uncorrected misstatements resulted in potential changes to net income of \$40,000. The external auditors recommend that the Land Bank place additional emphasis on ensuring its internal controls result in complete and accurate financial information and schedules supporting annual activity and year-end balances.

Finding 2018-003 – Noncompliance with Laws and Regulations

Public Act 213 of 2007 requires that all local units of government in Michigan provide quarterly investment reports to the governing body. The Land Bank does not have a process in place to ensure compliance with Public Act 213; nor could the Land Bank provide documentation supporting that quarterly investment reports are provided to the governing board. The external auditors recommend that the quarterly investment reports be provided to the board.

SUBSEQUENT EVENTS (Note 6)

The County and the Land Bank are working together to sell 511 Woodward, a County-owned building that the County does not need. The County purchased this building in 2008 as part of the purchase of the Guardian Building and the First Street Parking facility. The County has not had a need for the facility. The Land Bank has negotiated a sale price of \$4,650,000 for the building. The net proceeds of the transaction will be returned to the County by the Land Bank.

CONCLUSION and RECOMMENDATION

Based on our review, it was brought to our attention that the auditors were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements of the governmental activities and the General Fund. Accordingly, they did not express opinions on those financial statements.

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, 2018 is forwarded to the Wayne County Commission for receipt and filing.

Respectfully submitted,



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

Cc: Honorable Eric Sabree, Chairperson, Wayne County Land Bank Corporation
Desiree Kirkland, Deputy Treasurer Financial Services
Daniel Rosenbaum, Executive Director, Wayne County Land Bank Corporation
Mathieu Dube, Interim Chief Financial Officer
Shauntika Bullard, Director, Grants and Contract Management

Attachment

**Wayne County Land Bank Corporation
Financial Statements
Fiscal Year Ended September 30, 2018**

Wayne County Land Bank Corporation

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

Financial Report
with Supplemental Information
September 30, 2018

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 Financial Statements

We were engaged to audit the accompanying 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, 2018 and the related notes to the financial statements, which collectively comprise 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 conducting 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. Because of the matters described in the *Basis for the Disclaimer of Opinions on Governmental Activities and General Fund* paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the governmental activities and General Fund for the year ended September 30, 2018.

Basis for Disclaimer of Opinions on Governmental Activities and General Fund

The Land Bank does not record inventory activity in the general ledger throughout the year at the time of the transaction; there is only a true up done at year end based on schedules generated from the inventory system. These inventory system schedules are thus the driver for the ending inventory balance, the proceeds from sales of parcels, the fee revenue from right of refusal properties, and the contributed revenue recorded related to parcels transferred from the County. It was identified during the audit that inventory system schedules provided were incomplete. As a result, we were unable to perform auditing procedures to verify the accuracy of the balance sheet and income statement balances noted above.

The Land Bank has chosen to value all properties in inventory at \$250 based on the fact that a majority of properties that come through the Land Bank are transferred there from the County after they have not sold at auction and have been refused by the local unit. However, it was determined during our audit that the Land Bank obtains properties transferred from the County when the County has exercised their right of refusal and had taken ownership of properties prior to auction. As these properties did not go through the auction process unsold, they would not fall under the valuation methodology utilized by the Land Bank; instead, they should be recorded at the acquisition value in accordance with GASB Statement No. 72. The Land Bank is unable to provide the number of right of refusal properties currently held in inventory as of year end. As a result, we are unable to determine the impact to the inventory balance at year end and the contributed revenue.

To the Board of Directors
Wayne County Land Bank Corporation

The Land Bank enters into agreements with developers during the year to sell properties held in their inventory that have been transferred to the Land Bank following the County exercising its right of refusal option to purchase tax delinquent properties. Upon receipt of sale proceeds, the funds that Wayne County, Michigan paid for these delinquent properties are remitted from the Land Bank. The Land Bank then recognizes revenue equal to the difference between the sales price and the price that the County paid for the delinquent properties. However, during our testing, it was identified that these transactions are not recorded gross in the Land Bank's general ledger. As a result, we are unable to determine what impact the lack of incomplete activity would have on the Land Bank's financial statements at September 30, 2018.

Disclaimer of Opinion

Because of the significance of the matters described in the *Basis for Disclaimer of Opinions on Governmental Activities and General Fund* paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements of the governmental activities and the General Fund. Accordingly, we do not express opinions on these financial statements.

Emphasis of Matter

As discussed in Note 5 to the basic financial statements, the 2017 basic financial statements have been restated to correct a misstatement. During the year ended September 30, 2018, the Land Bank determined that there was \$442,582 of revenue received in prior years related to TURBO developer program that was not recorded in prior years. Beginning fund balance of the General Fund and beginning net position of governmental activities has been increased by \$442,582, resulting in a restated beginning fund balance of \$2,761,093 and a restated net position of \$2,725,785. Our opinion is not modified with respect to this matter.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedule 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, 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 supplemental 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 22, 2019 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wayne County Land Bank Corporation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

March 22, 2019

Wayne County Land Bank Corporation

Management's Discussion and Analysis

As management of 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, 2018. 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 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.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended September 30, 2018.

- The assets of the Land Bank exceeded its liabilities at September 30, 2018 and 2017 by \$3,577,967 and \$2,725,785 (total net position), respectively, all of which is available for spending at the Land Bank's discretion.
- The Land Bank generated program revenue from the TURBO program, which entails collection of 50 percent of eligible tax-reverted property-specific tax, pursuant to the Tax Reverted Clean Title Act, 2003 PA 260 MCL 211.1021-1025. In fiscal year 2018, the Land Bank ended the TURBO program, which resulted in no program revenue, as compared to \$1,256,960 in fiscal year 2017.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to 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 budgetary schedules as required supplemental 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 on 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 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 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.

Governmental Activities

	Governmental Activities		
	2017 (as restated)	2018	Change
Assets			
Current assets	\$ 3,820,713	\$ 3,725,174	\$ (95,539)
Capital assets	15,446	12,076	(3,370)
Total assets	3,836,159	3,737,250	(98,909)
Liabilities			
Current liabilities - Accounts payable	1,059,620	159,283	(900,337)
Long-term liabilities	50,754	-	(50,754)
Total liabilities	1,110,374	159,283	(951,091)
Net Position			
Net investment in capital assets	15,446	12,076	(3,370)
Unrestricted	2,710,339	3,565,891	855,552
Total net position	<u>\$ 2,725,785</u>	<u>\$ 3,577,967</u>	<u>\$ 852,182</u>

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 \$3,577,967 and \$2,725,785 for the years ended September 30, 2018 and 2017, respectively.

	Governmental Activities		
	2017 (as restated)	2018	Change
Revenue			
TURBO revenue and property sales	\$ 1,699,542	\$ -	\$ (1,699,542)
Investment income	57,704	66,878	9,174
Operating grants and contributions	939,900	2,172,862	1,232,962
Total revenue	2,697,146	2,239,740	(457,406)
Program Expenses - Community and economic development	11,424,397	2,161,057	(9,263,340)
Gain on Property Sale	10,645,111	773,499	(9,871,612)
Change in Net Position	1,917,860	852,182	(1,065,678)
Net Position - Beginning of year, as restated	807,925	2,725,785	1,917,860
Net Position - End of year	<u>\$ 2,725,785</u>	<u>\$ 3,577,967</u>	<u>\$ 852,182</u>

Total revenue decreased by \$10,329,018 (or about 77.4 percent) and program expenses decreased by \$9,263,340 (or about 81.1 percent) for 2018 with expenses still below revenue for the year. The total decrease is due to the expenses relating to the sale of the 640 Temple site in FY 2017.

Fund Analysis

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

Wayne County Land Bank Corporation

Management's Discussion and Analysis (Continued)

The focus of the Land Bank's governmental funds 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 2018, the Land Bank's governmental fund reported ending fund balance of \$3,565,891, an increase of \$804,798 from the prior year. The entire amount of fund balance, other than that portion which is nonspendable for inventory, 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

The Land Bank has no budget appropriated for funding from Wayne County, Michigan in the next fiscal 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, Michigan, 48226.

Wayne County Land Bank Corporation

Statement of Net Position

September 30, 2018

	Governmental Activities
Assets	
Equity in pool cash and investments (Note 3)	\$ 3,391,176
Other cash and investments	500
Receivables	9,248
Inventory	324,250
Capital assets - Net	12,076
Total assets	3,737,250
Liabilities	
Accounts payable	72,899
Unearned revenue	86,384
Total liabilities	159,283
Net Position	
Net investment in capital assets	12,076
Unrestricted	3,565,891
Total net position	\$ 3,577,967

Wayne County Land Bank Corporation

Statement of Activities

Year Ended September 30, 2018

	Program Revenue		Primary Government	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Expenses				
\$ 2,161,057	\$ 2,040,862	\$ 132,000	\$	11,805
\$ 2,161,057	\$ 2,040,862	\$ 132,000		11,805
General revenue:				
Unrestricted investment income				66,878
Gain on property sale				773,499
Total general revenue				<u>840,377</u>
Change in Net Position				852,182
Net Position - Beginning of year, as restated (Note 5)				<u>2,725,785</u>
Net Position - End of year				<u>\$ 3,577,967</u>

Functions/Programs
 Primary government -
 Governmental activities - Community and economic development
 Total primary government -

Wayne County Land Bank Corporation

Balance Sheet

September 30, 2018

	General Fund
Assets	
Equity in pool cash and investments (Note 3)	\$ 3,391,176
Other cash and investments	500
Receivables	9,248
Inventory	324,250
Total assets	<u><u>\$ 3,725,174</u></u>
Liabilities	
Accounts payable	\$ 72,899
Unearned revenue	86,384
Total liabilities	159,283
Fund Balance	
Nonspendable - Inventory	324,250
Unassigned	3,241,641
Total fund balance	<u>3,565,891</u>
Total liabilities and fund balance	<u><u>\$ 3,725,174</u></u>

Wayne County Land Bank Corporation

Reconciliation of the Balance Sheet to the Statement of Net Position

September 30, 2018

Fund Balance Reported in Governmental Funds	\$ 3,565,891
Amounts reported for governmental activities in the statement of net position are different because -	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>12,076</u>
Net Position of Governmental Activities	<u>\$ 3,577,967</u>

Wayne County Land Bank Corporation

Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended September 30, 2018

	General Fund
Revenue	
Inventory sales and related revenue	
Investment income	\$ 1,357,008
Other revenue	66,878
	<u>765,100</u>
Total revenue	2,188,986
Expenditures	
Current services -	
Community and economic development:	
Contractual services - Other	1,366,504
Travel	368
Office materials	<u>17,316</u>
Total expenditures	<u>1,384,188</u>
Net Change in Fund Balance	804,798
Fund Balance - Beginning of year, as restated (Note 5)	<u>2,761,093</u>
Fund Balance - End of year	<u><u>\$ 3,565,891</u></u>

Wayne County Land Bank Corporation

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities

Year Ended September 30, 2018

Net Change in Fund Balance Reported in Governmental Funds	\$	804,798
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation -		
Depreciation expense		(3,370)
Change in retiree healthcare liabilities		50,754
Change in Net Position of Governmental Activities	\$	852,182

September 30, 2018

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 to 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. One program, TURBO (Transforming Underdeveloped Residential and Business Opportunities), reimburses investors by giving cash back to property owners who make significant real estate investments in the County. As of September 30, 2018, the TURBO program was closed out, and no deposits were on hand. 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. 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.

September 30, 2018

Note 2 - Significant Accounting Policies (Continued)

Government-wide Financial Statements

The government-wide 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 General Fund uses 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 government 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 healthcare-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.

September 30, 2018

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 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 \$324,250 at September 30, 2018.

Capital Assets

Capital assets, which include office furnishings, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Land Bank as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Net Position

Net position of the Land Bank is classified into two components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

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. 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.

September 30, 2018

Note 2 - Significant Accounting Policies (Continued)

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.

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, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The 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.

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 FDIC insurance, it is impractical to insure all deposits. As a result, the Land Bank evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year end, the Land Bank has \$3,391,176 as part of Wayne County, Michigan's pooled cash at September 30, 2018. The FDIC coverage for this is not independently ascertainable.

Note 4 - Capital Assets

Capital asset activity of the Land Bank's governmental activities was as follows:

Governmental Activities

	Balance October 1, 2017	Additions	Disposals and Adjustments	Balance September 30, 2018
Capital assets being depreciated -				
Office furnishings	\$ 32,541	\$ -	\$ -	\$ 32,541
Accumulated depreciation - Office furnishings	17,095	3,370	-	20,465
Net capital assets	<u>\$ 15,446</u>	<u>\$ (3,370)</u>	<u>\$ -</u>	<u>\$ 12,076</u>

Depreciation expense was \$3,370 for the year ended September 30, 2018.

September 30, 2018

Note 5 - Prior Period Adjustment

The accompanying financial statements have been restated to correct an error made in a prior year. During the year ended September 30, 2018, the Land Bank determined that there was \$442,582 of revenue received in prior years related to TURBO developer program. Beginning fund balance of the General Fund and beginning net position of governmental activities has been increased by \$442,582 resulting in a restated beginning fund balance of \$2,761,093 and a restated net position of \$2,725,785.

Note 6 - Subsequent Events

The County and the Land Bank are working together to sell 511 Woodward, a County-owned building that the County does not need. The County purchased this building in 2008 as part of the purchase of the Guardian Building and the First Street Parking facility. The County has not had a need for the facility. The County conveyed the property to the Land Bank to process the sale of the facility. The Land Bank has negotiated a sale price of \$4,650,000 for the building. The net proceeds of the transaction will be returned to the County by the Land Bank.

Required Supplemental Information

Wayne County Land Bank Corporation**Required Supplemental Information
Budgetary Comparison Schedule****Year Ended September 30, 2018**

	Original/Final Budget	Actual	Variance with Original/Final Budget
Revenue			
Inventory sales and related revenue	\$ 720,000	\$ 1,357,008	\$ 637,008
Investment income	10,000	66,878	56,878
Other revenue:			
Local donations	-	132,000	132,000
Intergovernmental maintenance revenue	631,050	633,100	2,050
Total revenue	1,361,050	2,188,986	827,936
Expenditures			
Current services -			
Community and economic development:			
Economic development activities	1,413,847	1,366,504	47,343
Travel	4,200	368	3,832
Office materials	17,000	17,316	(316)
Total expenditures	1,435,047	1,384,188	50,859
Net Change in Fund Balance	(73,997)	804,798	878,795
Fund Balance - Beginning of year	2,761,093	2,761,093	-
Fund Balance - End of year	<u><u>\$ 2,687,096</u></u>	<u><u>\$ 3,565,891</u></u>	<u><u>\$ 878,795</u></u>

September 30, 2018

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, and the line item detail is shown for additional analysis only. 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 to 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*

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 were engaged to 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, the 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, 2018 and the related notes to the financial statements, which collectively comprise the Land Bank's basic financial statements and have issued our report thereon dated March 22, 2019. Our report disclaims an opinion on such financial statements because of the inability to obtain support for several material balance sheet and income statement items.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements, we considered the Land Bank's internal control over financial reporting (internal control) to determine the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2018-002 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2018-001 to be a significant deficiency.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Land Bank, 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 determination of financial statement amounts. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as Finding 2018-003. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

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

The Land Bank's Responses to Findings

The Land Bank's responses to the findings identified in our engagement are described in the accompanying schedule of findings and questioned costs. The Land Bank's responses were not subjected to the auditing procedures applied in the engagement to audit the financial statements, and, accordingly, we express no opinion on them.

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 & Moran, PLLC

March 22, 2019

Wayne County Land Bank Corporation

Schedule of Findings and Questioned Costs

<u>Reference Number</u>	<u>Finding</u>
2018-001	<p>Finding Type – Significant Deficiency</p> <p>Criteria - The Land Bank should ensure that investments are reported at fair market value in accordance with GAAP.</p> <p>Condition - The Land Bank does not have a control in place to ensure that investments are recorded at fair market value. Therefore, the investments recorded on the land bank's financial statements reflect a cost-based measurement.</p> <p>Context – The land bank's investments are pooled with those of the County. Based on the overall misstatement of the investments held in total by the County, the misstatement on the land bank's financial statements is not expected to be material.</p> <p>Cause - The Land Bank did not have the proper procedures in place to ensure that the general ledger was properly stated and supported.</p> <p>Effect - As a result, the accounting misstatements that would be expected to be caught by an internal review process (if one was in place) are now identified by the Land Bank's external audit. Due to the fact that the Land Bank's investments are pooled with the County's investments, the amount of the impact to the Land Bank is unknown. The land bank's financial statements are thereby misstated by the amount of the fair market value adjustment that remains unposted.</p> <p>Recommendation - We recommend the Land Bank place additional emphasis on producing complete and accurate financial information.</p> <p>Views of Responsible officials - Management agrees with the finding. The Land Bank's investments are pooled with those of the County; therefore the Land Bank does not have the ability to ensure that investments are recorded at fair market value.</p>
2018-002	<p>Finding Type – Material Weakness</p> <p>Criteria - The Land Bank should ensure that the appropriate processes and controls are in place over the financial reporting function to allow it to prepare all financial information completely and accurately and that there are sufficient records to support all financial statement balances, both balance sheet and income statement.</p> <p>Condition - The Land Bank does not have sufficient comprehensive processes and controls in place to complete its accounting and financial reporting functions, which should include a review function that would prevent or detect misstatements. During the audit, adjustments to the accounting records were required in order to correctly state the Land Bank's financial statements at year end; additionally, other entries were identified during the audit that were not recorded by management. The Land Bank was also unable to provide sufficient records for various material financial statement balances.</p> <p>Context - An adjustment to the accounting records was needed to correctly state the Land Bank's financial statements at year end for revenue related to TURBO deposits that were appropriate to recognize in a prior period.</p>

Schedule of Findings and Questioned Costs

There were also various adjustments to the financial statements that should have been made in order to correctly state the Land Bank's financial records at year end, but were not made as management deemed these items be immaterial to adjust in the accounting records. These are referred to as "passed adjustments". The passed adjustments included corrections to state deferred inflows in accordance with GAAP, and to record compensated absences. These corrected and uncorrected misstatements resulted in potential changes to net income of \$40,000.

Due to the lack of sufficient records available to support all financial statement balances, a disclaimer of opinion on the 2018 Land Bank financial statements was issued. The basis for the disclaimer is as follows:

- The Land Bank does not record inventory activity in the general ledger throughout the year at the time of the transaction; there is only a true up done at year end based on schedules generated from the inventory system. These inventory system schedules are thus the driver for the ending inventory balance, the proceeds from sales of parcels, the fee revenue from right of refusal properties, and the contributed revenue recorded related to parcels transferred from the County. It was identified during the audit that inventory system schedules provided were incomplete. As a result, we were unable to perform auditing procedures to verify the accuracy of the balance sheet and income statement balances noted above.
- The Land Bank has chosen to value all properties in inventory at \$250 based on the fact that a majority of properties that come through the Land Bank are transferred there from the County after they have not sold at auction and have been refused by the local unit. However, it was determined during our audit that the Land Bank obtains properties transferred from the County when the County has exercised their right of refusal and taken ownership of properties prior to auction. As these properties did not go through the auction process unsold, they would not fall under the valuation methodology utilized by the Land Bank; instead, they should be recorded at the acquisition value in accordance with GASB Statement No. 72. The Land Bank is unable to provide the number of right of refusal properties currently held in inventory as of year-end. As a result, we are unable to determine the impact to the inventory balance at year-end and the contributed revenue.
- The Land Bank enters into agreements with developers during the year to sell properties held in their inventory that have been transferred to the Land Bank following the County exercising their right of refusal option to purchase tax delinquent properties. Upon receipt of sale proceeds, the funds that Wayne County paid for these delinquent properties are remitted from the Land Bank. The Land Bank then recognizes revenue equal to the difference between the sales price and the price that the County paid for the delinquent properties. However, during our testing it was identified that these transactions are not recorded gross in the Land Bank's General Ledger. As a result, we are unable to determine what impact the lack of incomplete activity would have on the Land Bank's financial statements at September 30, 2018.

Cause - The Land Bank did not have the proper procedures in place to ensure that the general ledger was properly stated and supported.

Effect - As a result of the inability to appropriately support multiple account balances and activity recorded throughout the year, the financial statements of the Land Bank were not able to be subject to appropriate audit procedures. Several material ending balances and transactions may not be accurately reflected in the Land Bank's 2018 financial statements, as stated above.

Schedule of Findings and Questioned Costs

Recommendation - We recommend the Land Bank place additional emphasis on ensuring its internal controls result in complete and accurate financial information and schedules supporting annual activity and year end balances.

Views of Responsible officials - Management agrees with the finding. The Land Bank will conduct inventory true-ups on a monthly basis *and* provide the necessary monthly reports so that inventory is recorded in the general ledger on a monthly basis. The Land Bank has also implemented a valuation procedure that will apply based upon the acquisition and disposition methods of a given parcel. A monthly reconciliation process and procedures will be documented and implemented to ensure transactions are recorded in a timely manner throughout the year.

2018-003 **Finding Type – Noncompliance with Laws and Regulations**

Criteria - Public Act 213 of 2007 requires that all local units of government in Michigan, to provide quarterly investment reports to the governing body.

Condition - The Land Bank is unable to provide documentation supporting that quarterly investment reports are provided to the governing body.

Context – The Land Bank is required under Public Act 213 of 2007 to provide quarterly investment reports to the governing body.

Cause - The Land Bank did not have a process in place to ensure that quarterly investment reports were provided to the governing body.

Effect – The Wayne County Land Bank may not be in compliance with Public Act 213 of 2007.

Recommendation - We recommend that quarterly investment reports be provided to the board.

Views of Responsible officials - Management agrees with the finding. The land Bank's investments are pooled with those of the County; therefore the Land Bank does not have the ability to provide quarterly investment reports to the governing body.