

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Genesee County Land Bank Authority	County Genesee
Fiscal Year End 9/30/2007	Opinion Date February 26, 2008	Date Audit Report Submitted to State March 17, 2008	

We affirm that:

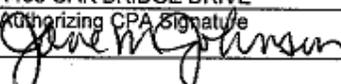
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- Check each applicable box below. (See instructions for further detail.)
- | | YES | NO | |
|-----|-------------------------------------|-------------------------------------|---|
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)
Financial Statements		<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>	
Other (Describe)		<input checked="" type="checkbox"/>	SAS 112 Letter
Certified Public Accountant (Firm Name) YEO & YEO PC CPAs		Telephone Number 810-732-3000	
Street Address 4468 OAK BRIDGE DRIVE		City FLINT	State MI
		Zip 48532	
Authorizing CPA Signature 		Printed Name Jane M. Johnson	License Number 18029

**GENESEE COUNTY LAND BANK
AUTHORITY**

Flint, Michigan

**Annual Financial Statements
and Auditors' Report**

September 30, 2007

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Members of the Board of Directors and Administration

Board of Directors

Dan Kildee

Raynetta Speed

Woodrow Stanley

Pat Lockwood

Linda Barber

Carolyn Sims

Chairperson

Vice Chairperson

Treasurer

Secretary

Trustee

Trustee

Administration

Jon Care

Paul McShane

Executive Director

Chief Financial Officer



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Independent Auditors' Report

Board of Directors
Genesee County Land Bank Authority

We have audited the accompanying financial statements of the business-type activities of the Genesee County Land Bank Authority as of September 30, 2007 and 2006, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the Authority's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Authority's primary government unless the Authority also issues financial statements for the financial reporting entity that include the financial data for its component units. The Authority has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the aggregate remaining fund information would have increased by \$ 969,606, \$ 128,368, \$ 841,238, \$ 40,009, and \$ 62,009, respectively.

In our opinion, except for the effects of omitting blended component units as discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Genesee County Land Bank Authority at September 30, 2007 and 2006 and the changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued a report dated February 26, 2008, on our consideration of Genesee County Land Bank Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Yeo & Yeo, P.C.

Flint, Michigan
February 26, 2008



Management's Discussion and Analysis

As management of the Genesee County Land Bank Authority, we offer readers of the Genesee County Land Bank Authority's financial statements this narrative overview and analysis of the financial activities of the Genesee County Land Bank Authority for the fiscal year ended September 30, 2007. The Authority holds and owns in its name any property acquired by it or conveyed to it by the state, a foreclosing governmental unit, a local unit of government, an intergovernmental entity created under the laws of the State of Michigan, or any other public or private person, including, but not limited to, tax reverted property and property with or without clear title. A Land Bank Authority may hold, control, manage, maintain, operate, repair, lease as lessor, secure, prevent the waste or deterioration of, demolish, and take all other actions necessary to preserve the value of the property it holds or owns.

Financial Highlights

- The Genesee County Land Bank Authority is a public body corporate organized pursuant to the Michigan Land Bank Fast Track Act ,2003 P.A. 258, MCL 124.751 – 124.774 and an Intergovernmental Agreement entered into between the Michigan Land Bank Fast Track Authority and the Treasurer of the County of Genesee, Michigan, dated December 07, 2004.
- Upon incorporation of the Genesee County Land Bank Authority, all tangible and intangible real and personal assets of the Genesee County Land Reutilization Council, Inc. were transferred to the Genesee County Land Bank Authority by Quitclaim Deed and by Bill of Sale, Transfer and Assignment executed on behalf of the Genesee County Land Reutilization Council by its Chairperson/Director.
- The Genesee County Land Bank Authority relies on two main revenue sources to fund its core operations. The first being funds provided by Genesee County through the Land Reutilization Fund managed by the Genesee County Treasurer. The second is the sale of property held by the Genesee County Land Bank Authority.
- In April of 2007 the Genesee County Land Bank Authority acquired title to the building is occupies at 452 S. Saginaw St. Flint MI through an agreement with Genesee County in order to facilitate the sale of condos within the building. This property had a book value from Genesee County of \$4,209,867.20, as part of the transfer agreement The Genesee County Land Bank agreed to pay all future debt obligations against the building, the current bond obligation is \$1,995,000.00.
- The assets of the Genesee County Land Bank Authority exceeded its liabilities at the close of the fiscal year by \$11,666,506 (net assets). Of this amount, a deficit of (\$72,224) in unrestricted net assets occurred, and although still in a deficit this is a marked improvement from the previous years (\$536,915) deficit due to operational shortfalls.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Genesee County Land Bank Authority's basic financial statements. The Genesee County Land Bank Authority's basic financial statements are comprised of government-wide financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Genesee County Land Bank Authority's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the Genesee County Land Bank Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Genesee County Land Bank Authority is improving or deteriorating.

The statement of activities presents information showing how the authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., installment property sales).

Proprietary funds. The Genesee County Land Bank Authority maintains a single proprietary fund.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of an authority's financial position. In the case of the Genesee County Land Bank Authority, assets exceeded liabilities by \$11,666,506 at the close of the fiscal year.

By far the largest portion of the Genesee County Land Bank Authority's net assets (85% Percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Genesee County Land Bank Authority uses these capital assets to provide services; consequently, these assets are not available for future spending.

- In 2007 the Genesee County Land Bank Authority acquired title to the building is occupies at 452 S. Saginaw St. Flint MI through an agreement with Genesee County in order to facilitate the sale of condos within the building. This property had a book value from Genesee County of \$4,209,867.20, as part of the transfer agreement The Genesee County Land Bank agreed to pay all future debt obligations against the building, the current bond obligation is \$1,995,000.00.
- Also in 2007 Genesee County Land Bank Authority committed to undertake three significant development projects which with the intent to stimulate development and to continue its effort to deal with the issues of blight and condition of the community neighborhoods which are reflected in the types of properties acquired through tax foreclosure. The three projects include: The Berridge Hotel Project, a residential hotel being converted to condo apartments. The Stone Street Project, a mix a new and rehabilitated affordable housing in a blighted neighborhood. The Durant Project, a large hotel, vacant for 30 plus years to be redeveloped into mix use apartments.

The Genesee County Land Bank Authority's holds \$2,135,657 of Land Inventory, and while this represents a significant portion of current assets held, a corresponding amount in current liabilities of \$2,203,594 offsets the impact of these assets on the balance sheet.

The Genesee County Land Bank Authority's Net Assets

	Business -type Activities 2007	Business -type Activities 2006
Current and other assets	\$ 2,995,169	\$ 2,757,676
Capital assets	14,522,722	11,695,440
Total Assets	17,517,891	14,453,116
Current liabilities	3,410,446	3,292,890
Long-term liabilities	2,440,939	451,165
Total liabilities	5,851,385	3,744,055
Net assets		
Invested in capital assets, net of related debt	11,738,730	11,245,976
Unrestricted	(72,224)	(536,915)
Total net assets	\$ 11,666,506	\$ 10,709,061

The Genesee County Land Bank Authority's Change in Net Assets

	Business-type Activities 2006	Business-type Activities 2006
Operating:		
Revenues	\$ 2,366,610	\$ 1,483,285
Expenses	<u>(5,413,344)</u>	<u>(5,458,082)</u>
Total operating income	<u>(3,046,734)</u>	<u>(3,974,797)</u>
Non-operating		
Revenues	4,142,007	14,533,049
Expenses	<u>(137,828)</u>	<u>(58,119)</u>
Total non-operating Revenues (Expenses)	<u>4,004,179</u>	<u>14,474,930</u>
Income before capital contributions	957,445	10,500,133
Capital contributions	<u>-</u>	<u>-</u>
Increase in net assets	957,445	10,500,133
Net assets, September 30, 2006	10,709,061	208,928
Net assets, September 30, 2007	<u>\$ 11,666,506</u>	<u>\$ 10,709,061</u>

Financial Analysis of the Government's Funds

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

Capital Asset and Debt Administration

Capital assets. The Genesee County Land Bank Authority's investment in capital assets for its business-type activities as of September 30, 2007, amounts to \$ 13,768,244 (net of accumulated depreciation of \$ 776,000). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment.

Long-term debt. At the end of the current fiscal year, the Genesee County Land Bank Authority had total debt outstanding of \$22,505 (\$ 34,515 less current portion of \$ 12,010). The debt arose from vehicle leases entered into by the Authority.

Economic Factors and Next Year's Budgets

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

All of these factors were considered in preparing the Genesee County Land Bank Authority's budget for the 2007/2008 fiscal year.

Request for Information

The financial report is designed to provide a general overview of the Genesee County Land Bank Authority's finances for all those with an interest in the authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Genesee County Land Bank Authority, 452 S. Saginaw St., 2nd floor, Flint, MI, 48502.

Genesee County Land Bank Authority
Statement of Net Assets
September 30, 2007 and 2006

	2007	2006
Assets		
Current assets		
Cash and cash equivalents	\$ 39,658	\$ 24,219
Grants Receivable	289,348	-
Due from Genesee County	20,740	142,760
Due from Berridge Place, LLC	8,104	-
Due from Federal Government	30,239	-
Accounts receivable	110,892	82,246
Prepaid items	129,159	5,230
Current portion of land contract receivable (net of allowance of \$ 12,184 and \$ 0)	231,372	95,314
Land inventory	2,135,657	2,407,907
Total current assets	2,995,169	2,757,676
Noncurrent assets		
Land contract receivable (net of allowance of \$ 29,199 and \$ 26,255)	754,478	403,522
Capital assets		
Buildings and improvements	14,357,857	11,421,532
Maintenance equipment	30,705	30,705
Office equipment	87,133	87,133
Vehicles	68,549	68,549
Less: accumulated depreciation	(776,000)	(316,001)
Total noncurrent assets	14,522,722	11,695,440
Total assets	17,517,891	14,453,116
Liabilities		
Current liabilities		
Accounts payable	234,958	348,957
Deferred revenue	774,233	475,779
Rental deposits	11,802	3,750
Salaries and withholdings payable	8,974	13,917
Accrued expenses	677	553
Current portion of noncurrent liabilities	47,009	11,427
Accrued interest	129,199	55,481
Due to Genesee County	2,203,594	2,383,026
Total current liabilities	3,410,446	3,292,890
Noncurrent liabilities		
Compensated absences	9,384	16,650
Vehicle leases	22,505	34,515
State of Michigan Department of Environmental Quality Revolving Loan	49,050	-
Due to Genesee County	2,360,000	400,000
Total noncurrent liabilities	2,440,939	451,165
Total liabilities	5,851,385	3,744,055
Net Assets		
Invested in capital assets, net of related debt	11,738,730	11,245,976
Unrestricted	(72,224)	(536,915)
Total net assets	\$ 11,666,506	\$ 10,709,061

See Accompanying Notes to Financial Statements

Genesee County Land Bank Authority
Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenues		
Rental income	695,200	\$ 353,283
Sales	1,594,419	1,099,954
Interest on land contracts	50,808	27,260
Miscellaneous	26,183	2,788
	<u>2,366,610</u>	<u>1,483,285</u>
 Total operating revenue		
Operating expenses		
Cost of land sold	1,897,985	662,338
Salaries and fringe benefits	529,806	520,868
Memberships	200	965
Training and education	6,807	8,171
Contractual employees	240,483	255,178
Meetings and conferences	54	-
Supplies	29,873	31,500
Other services and charges	132,515	238,159
Demolition and abatement	376,991	1,947,303
Legal and professional fees	625,732	626,617
County services	24,435	21,916
Advertising	45,760	4,672
Insurance	145,182	34,549
Utilities and telephone	365,499	154,033
Repairs and maintenance	348,497	371,945
Rent	147,368	145,218
Depreciation	479,252	268,238
Capital outlay	8	139,336
Bad debt expense	15,126	26,255
Miscellaneous	1,771	821
	<u>5,413,344</u>	<u>5,458,082</u>
 Total operating expenses		
 Operating income (loss)	<u>(3,046,734)</u>	<u>(3,974,797)</u>

See Accompanying Notes to Financial Statements

Genesee County Land Bank Authority
Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended September 30, 2007 and 2006

	2007	2006
Nonoperating revenues and expenses		
Genesee County appropriation	\$ 567,178	\$ 889,193
Brownfield revenue	433,427	2,100,392
Operating grants	972,721	421,892
Interest income	9,829	12,272
Interest expense	(137,828)	(58,119)
Total nonoperating revenues (expense)	1,845,327	3,365,630
Income (loss) before capital contributions	(1,201,407)	(609,167)
Capital contributions	2,158,852	11,109,300
Net assets		
Change in net assets	957,445	10,500,133
Total net assets, beginning of year	10,709,061	208,928
Total net assets, end of year	\$ 11,666,506	\$ 10,709,061

See Accompanying Notes to Financial Statements

Genesee County Land Bank Authority
Statements of Cash Flows
Years Ended September 30, 2007 and 2006

	2007	2006
Cash Flows From Operating Activities		
Receipts from customers	\$ 2,142,330	\$ 1,419,903
Payments to suppliers and contractors	(3,219,528)	(4,977,875)
Payments to employees	(541,891)	(499,616)
Net cash used by operating activities	(1,619,089)	(4,057,588)
Cash Flows From Noncapital Financing Activities		
Loan to Berridge Place LLC	(8,104)	-
Proceeds from State of Michigan Department of Environmental Quality Revolving Loan	49,050	-
Operating note proceeds	-	400,000
Genesee County appropriation	567,178	889,193
Brownfield activities	506,533	2,114,579
Operating grants	702,048	459,998
Net cash provided by noncapital financing activities	1,816,705	3,863,770
Cash Flows from Capital and Related Financing Activities		
Proceeds from note from Genesee County for capital assets	1,995,000	-
Purchase of capital assets	(2,111,468)	(216,936)
Principal payments on capital leases	(11,428)	(10,873)
Interest paid	(64,110)	(2,638)
Net cash used by capital and related financing activities	(192,006)	(230,447)
Net Cash Flows from Investing Activities		
Interest income	9,829	12,272
Net change in cash and cash equivalents	15,439	(411,993)
Cash and cash equivalents at beginning of period	24,219	436,212
Cash and cash equivalents at end of period	\$ 39,658	\$ 24,219

See Accompanying Notes to Financial Statements

Genesee County Land Bank Authority
Statements of Cash Flows
Years Ended September 30, 2007 and 2006

Reconciliation of Operating Income to Net cash		
Provided by Operating Activities		
Operating income (loss)	\$ (3,046,734)	\$ (3,974,797)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	479,252	268,238
Cost of asset sold included as cost of sales	1,314,742	-
Change in assets		
Due from employees	-	671
Accounts receivable	(28,646)	(74,538)
Prepaid expenses	(123,929)	6,028
Land contract receivable	(487,014)	(269,693)
Land inventory	272,250	(529,447)
Change in liabilities		
Accounts payable	(113,999)	(398,998)
Deferred revenue	298,454	303,354
Rental deposits	8,052	3,750
Salaries and withholdings payable	(4,943)	4,929
Accrued expenses	124	(327)
Due to Genesee County	(179,432)	586,592
Compensated absences	(7,266)	16,650
	<u>(7,266)</u>	<u>16,650</u>
Net cash used by operating activities	<u>\$ (1,619,089)</u>	<u>\$ (4,057,588)</u>
Noncash investing, capital, and financing activities		
Contributed real estate	<u>\$ 2,158,852</u>	<u>\$ 11,109,300</u>

See Accompanying Notes to Financial Statements

Genesee County Land Bank Authority
Notes to Financial Statements
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Genesee County Land Bank Authority is a public body corporate organized pursuant to the Michigan Land Bank Fast Track P.A. 258 and an Intergovernmental Agreement entered into between the Michigan Land Bank Fast Track Authority and the Treasurer of the County of Genesee, Michigan. The Authority was legally established on December 7, 2004 and began operations on that date. The Authority is comprised of seven members, as follows: Treasurer of Genesee County, one (1) resident of the City of Flint, appointed by the County board, one (1) resident of Genesee County not a resident of the City of Flint, appointed by the County board, four (4) residents of Genesee County, irrespective of municipality of residence, appointed by the County board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Authority's reporting entity, and which organizations are legally separate component units of the Authority. The Authority has no component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Authority are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. The Authority has elected to apply all Financial Accounting Standards Board (FASB) statements issued after November 30, 1989 (unless they conflict with or contradict Governmental Accounting Standards Board pronouncements).

The Authority has one proprietary fund, which is an enterprise fund, used to account for the activities of the Authority consisting of sales of property to individuals, commercial entities and nonprofit organizations, rental of properties to individuals, rehabilitation and demolition of properties in preparation for sale or for future development.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods (in this instance property) in connection with a proprietary fund's

Genesee County Land Bank Authority
Notes to Financial Statements
September 30, 2007

principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to customers for residential rental and for the sale of property. Operating expenses include the cost of properties sold, costs associated with demolition, administrative expenses, and depreciation on capital assets. All other revenues and expenditures are considered nonoperating.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term deposits with a maturity of three months or less when acquired. Investments are reported at fair value based on quoted market prices.

Receivables and Payables – The fair value of short-term financial instruments such as accounts receivable and payable, accrued receivables, and accrued liabilities, is equal to the carrying amounts in the accompanying financial statements due to the short nature of such instruments.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the financial statements.

Land contract receivable – The Authority issues land contracts to individuals for the purchase of properties acquired by the Authority with varying terms and maturities with right of repossession. Because of the nature of the land contracts, the Authority recognizes revenues on the installment method for most land contract sales. An allowance for uncollectible land contract receivables has been established to reflect the cost of foreclosure based on management's estimate of future foreclosures.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. Donated real estate is recorded at the state equalized value. The Authority defines capital assets as assets with an initial individual cost in excess of \$ 2,500. Repairs to rental homes in excess of \$ 1,000 are capitalized and amortized over a five-year period. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Authority does not have infrastructure assets. Leasehold improvements are amortized over the length of the lease. Furniture and equipment, maintenance equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Genesee County Land Bank Authority
Notes to Financial Statements
September 30, 2007

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

Land Inventory – Foreclosed properties are offered to the Authority by the County to purchase prior to going to auction at the amount of the taxes due for each parcel. Foreclosed properties not sold at auction automatically revert to the Authority. The properties are inventoried at the amount of the taxes paid. The costs to rehabilitate a particular property that materially add value are added to the cost of that property. Parcels that are donated to the Authority are valued at \$ 1 as they have minimal value.

Deferred Revenue on Land Contracts – The Authority recognizes revenue for the sale of property with a land contract on the installment method. The deferred revenue represents the gross profit on the sales. The cost of the land has been removed from land inventory at the time of the land contract.

Due to Genesee County – This liability relates to the cost of parcels received from the County upon the creation of the Authority and for any funds received from the County in order to rehabilitate certain properties. When a parcel is sold, the cost of the parcel received from the County and any rehabilitation costs from borrowed funds are paid back to the County at that time.

Compensated Absences

The Authority's employees are granted annual leave based on length of service and part or full-time status. Employees may only carryover five unused annual leave days to the next calendar year. Vacation pay is fully vested when earned. Upon termination, employees are paid accumulated annual leave at current salary rates. Employees accrue sick/personal leave at a rate of 56 hours per year for full-time employees and prorated based on average hours worked for part-time employees. Employees accrue sick/personal leave on January 1st each year and accumulate without limit. However, no payment for accrued sick/personal leave is received upon termination. As of September 30, 2007 and September 30, 2006 accumulated leave time was \$ 9,384 and \$ 16,650 respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Genesee County Land Bank Authority
Notes to Financial Statements
September 30, 2007

Economic Dependency

The Authority receives a significant portion of its revenues from Genesee County. Due to the significance of this revenue source, the Authority is considered to be economically dependent on Genesee County.

NOTE 2 - DEPOSITS AND INVESTMENTS

Credit risk – Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local government units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptances of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature 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. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The board of directors adopted an investment policy that mirrors that of Genesee County which allows the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentality's commercial paper rated A-2 by Standard & Poor's Corporation or P-2 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and reverse repurchase agreements. The Authority's deposit and investment policies are in accordance with statutory authority.

Concentration of credit risk – deposits – The board of directors authorized the Authority to deposit its' funds with Citizens Bank. The Federal Deposit Insurance Corporation (FDIC) provides protection of the Authority's deposits.

Custodial credit risk – deposits – This is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. As of September 30, 2007, \$ 21,368 of the Authority's bank balance of \$ 121,368 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Genesee County Land Bank Authority
Notes to Financial Statements
September 30, 2007

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the Authority for the years ended September 30, 2007 and 2006 are as follows:

	Balance September 30, 2006	Additions	Disposal and Adjustments	Balance September 30, 2007
Capital assets				
Buildings and improvements	\$ 11,421,532	\$ 4,301,538	\$ 1,365,213	\$ 14,357,857
Maintenance equipment	30,705			30,705
Office equipment	87,133			87,133
Vehicles	68,549			68,549
Subtotal	<u>11,607,919</u>	<u>4,301,538</u>	<u>1,365,213</u>	<u>14,544,244</u>
Accumulated depreciation				
Buildings and improvements	(260,046)	(441,973)	(19,253)	(682,766)
Maintenance equipment	(11,031)	(6,142)		(17,173)
Office equipment	(24,299)	(17,427)		(41,726)
Vehicles	(20,625)	(13,710)		(34,335)
Subtotal	<u>(316,001)</u>	<u>(479,252)</u>	<u>(19,253)</u>	<u>(776,000)</u>
Net capital assets	<u>\$ 11,291,918</u>	<u>\$ 3,822,286</u>	<u>\$ 1,345,960</u>	<u>\$ 13,768,244</u>

Genesee County Land Bank Authority
Notes to Financial Statements
September 30, 2007

	Balance September 30, 2005	Additions	Disposal and Adjustments	Balance September 30, 2006
Capital assets				
Buildings and improvements	\$ 160,431	\$ 11,277,688	\$ 16,587	\$ 11,421,532
Maintenance equipment	19,855	10,850		30,705
Office equipment	36,165	50,968		87,133
Vehicles	68,549			68,549
Subtotal	<u>285,000</u>	<u>11,339,506</u>	<u>16,587</u>	<u>11,607,919</u>
Accumulated depreciation				
Buildings and improvements	(28,987)	(234,376)	(3,317)	(260,046)
Maintenance equipment	(6,517)	(4,514)		(11,031)
Office equipment	(8,661)	(15,638)		(24,299)
Vehicles	(6,915)	(13,710)		(20,625)
Subtotal	<u>(51,080)</u>	<u>(268,238)</u>	<u>(3,317)</u>	<u>(316,001)</u>
Net capital assets	<u>\$ 233,920</u>	<u>\$ 11,071,268</u>	<u>\$ 13,270</u>	<u>\$ 11,291,918</u>

The amount for vehicles, above, includes \$ 59,449 and \$ 59,449 as of September 30, 2007 and 2006, respectively, for assets acquired under capital lease arrangements. Depreciation and amortization expense for the years ended September 30, 2007 and 2006 was \$ 479,252 and \$ 268,238, respectively. This amount includes \$ 23,780 and \$ 11,890 of amortization of capital leases on vehicles for September 30, 2007 and 2006.

Genesee County Land Bank Authority
Notes to Financial Statements
September 30, 2007

NOTE 4 - LONG-TERM DEBT

Long-term obligation activity for years ending September 30, 2007 and 2006 can be summarized as follows:

	Balance September 30, 2006	Additions	Reductions	Balance September 30, 2007	Within One Year
Compensated absences	\$ 16,650	\$ -	\$ 7,267	\$ 9,383	\$ -
Vehicle leases	45,942	-	11,427	34,515	12,009
Operating note payable	400,000	-	-	400,000	-
State of Michigan	-	49,050	-	49,050	-
Land Bank Center note payable	-	1,995,000	-	1,995,000	35,000
	<u>\$ 462,592</u>	<u>\$ 2,044,050</u>	<u>\$ 18,694</u>	<u>\$ 2,487,948</u>	<u>\$ 47,009</u>

	Balance September 30, 2005	Additions	Reductions	Balance September 30, 2006	Within One Year
Compensated absences	\$ -	\$ 16,650	\$ -	\$ 16,650	\$ -
Vehicle leases	56,815	-	10,873	45,942	11,427
Operating note payable	-	400,000	-	400,000	-
	<u>\$ 56,815</u>	<u>\$ 416,650</u>	<u>\$ 10,873</u>	<u>\$ 462,592</u>	<u>\$ 11,427</u>

Genesee County Land Bank Authority
Notes to Financial Statements
September 30, 2007

The Authority leased three vehicles from Genesee County for a period of five years payable quarterly in payments of \$ 3,378 until June 30, 2010. The annual requirement to pay principal and imputed interest at 5% on this obligation at September 30, 2007 is summarized as follows:

<u>Year Ended</u> <u>September 30,</u>	Principal	Interest	Total
2008	\$ 12,009	\$ 1,503	\$ 13,512
2009	12,620	891	13,512
2010	9,885	248	10,132
Total debt payments	\$ 34,514	\$ 2,642	\$ 37,156

During 2007, the State of Michigan Department of Environmental Quality, Environmental Science and Services Division authorized a Brownfield Redevelopment Loan Agreement up to \$ 376,000 to be used for redeveloping Brownfield sites as specified in the agreement. The annual loan payments begin in September 2011 and are to be paid off in equal monthly payments of \$ 37,666 which includes interest calculated at a rate of 2% beginning September 2011 with a final maturity of September 2021. The balance as of September 30, 2007 was \$ 49,050.

On August 1, 2006 the Authority signed a note for \$ 400,000 for the Great Lakes Technology Center Project from Genesee County with the proceeds to be used for the operation of the building. The principal and interest amounts are due April 1, 2009. Interest is accrued and adjusted monthly on the first day of the month at a rate equal to the average three-month U. S. Treasury Bills at the last United States Department of Treasury auction held in the month immediately preceding such month. As of September 30, 2007, the rate was 5.07%.

On April 1, 2007, Genesee County transferred the improvements to the Land Bank Center (formerly Hughes & Hatcher) to the Authority in exchange for a note payable to the County that requires the Authority to pay the debt service requirements of the bonds used to improve the building located at 452 S. Saginaw St., Flint, MI 48502. The following are the debt service requirements:

Genesee County Land Bank Authority
Notes to Financial Statements
September 30, 2007

Year Ended September 30,	Principal	Interest	Total
2008	\$ 35,000	\$ 110,618	\$ 145,618
2009	35,000	108,868	143,868
2010	35,000	107,118	142,118
2011	40,000	105,368	145,368
2012	40,000	103,368	143,368
2013-2017	245,000	483,488	728,488
2018-2022	310,000	410,981	720,981
2023-2027	425,000	311,899	736,899
2028-2032	560,000	176,415	736,415
2033-2035	<u>270,000</u>	<u>23,370</u>	<u>293,370</u>
Total	<u>\$ 1,995,000</u>	<u>\$ 1,941,493</u>	<u>\$ 3,936,493</u>

NOTE 5 - OPERATING LEASES

As of October 1, 2005, the Authority began leasing space for its offices from Genesee County. In lieu of rent, the Authority paid the debt service payments on the bonds sold and used for the renovation of the building at 452 S. Saginaw Street, Flint, Michigan, which previously belonged to the Authority. On April 1, 2007, the County transferred ownership back to the Authority in exchange for a note which requires the Authority to pay the debt service on the aforementioned bonds discussed in the previous note. The Authority charged \$ 147,368 to rent expense for the year ended September 30, 2007.

Genesee County Land Bank Authority
Notes to Financial Statements
September 30, 2007

NOTE 6 - LEASES ON THE LESSOR'S BOOKS

The Authority has entered into contracts with various lessees for the rental of commercial and residential real estate. The obligation of the lessees to the Authority for the next 5 years is as follows:

Payments Receivable In	Guaranteed Lease Payment
2008	\$ 176,010
2009	173,730
2010	178,092
2011	68,464
Total	<u>\$ 596,296</u>

Minimum future rentals do not include month to month and are considered contingent rentals. Contingent rentals amounted to approximately \$ 211,580 and \$ 188,002 for 2007 and 2006, respectively.

NOTE 7 - DEFERRED COMPENSATION

The Authority offers its employees a deferred compensation plan created in accordance with IRC Section 457A. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the Section 457A Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the sole benefit of the employees. The assets are not subject to the claims of the employer's general creditors.

Participants' rights created under the plan are limited to the fair market value of the deferred account maintained with respect to each participant.

Genesee County Land Bank Authority
Notes to Financial Statements
September 30, 2007

NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN

Plan Description

The Authority is the plan sponsor for a defined contribution retirement plan which provides retirement benefits for all Authority employees. The Authority is a member of the Municipal Employees Retirement System of Michigan's defined contribution program. The plan is administered by the International City Management Association Retirement Corporation (ICMARC).

Funding Policy

Participating employees are required to contribute 5% of their salary to the plan while the Authority contributes 10% of the employees' salary. Participants are fully vested after three (3) years of service and are entitled to one hundred percent of vested contributions. The plan is a money purchase plan qualified under Section 401 of the Internal Revenue Code.

Annual Pension Cost

Employer contributions during 2007 were 10% of the employees' salaries of \$ 374,955 and totaled \$ 37,496. Employees contributed the required 5% or \$ 18,748.

Employer contributions during 2006 were 10% of the employees' salaries of \$ 362,956 and totaled \$ 36,296. Employees contributed the required 5% or \$ 18,148.

NOTE 9 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors, and omissions, and employee injuries. The Authority has purchased insurance for these claims. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - BERRIDGE PLACE, LLC

Berridge Place, LLC is a legal separate entity. However, because of the relationship between the Authority and this entity it is considered to be a component unit of the Authority. Beginning with year ending September 30, 2008, this entity will be reported with the Authority as a blended component unit in the Authority's financial statements.

Genesee County Land Bank Authority
Notes to Financial Statements
September 30, 2007

The Authority is a guarantor on a loan between Berridge Place, LLC and Local Initiatives Support Corporation. The loan proceeds are to be used to rehabilitate and renovate the Berridge Hotel in Flint, Michigan. As of September 30, 2007 the balance of the loan was \$ 0.

NOTE 11 - SUBSEQUENT EVENT

On October 23, 2007, the Authority borrowed \$ 90,000 from a line of credit with a maximum amount available of \$ 750,000 from Local Initiative Support Corporation.



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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*.

To the Board of Directors
Genesee County Land Bank Authority
Flint, Michigan

We have audited the financial statements of Genesee County Land Bank Authority as of and for the year ended September 30, 2007, and have issued our report thereon dated February 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Genesee County Land Bank Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Genesee County Land Bank Authority's financial statements are free of 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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, members of the Board of Directors and federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Flint, Michigan
February 26, 2008

February 26, 2008

To the Board of Directors
Genesee County Land Bank Authority

We have audited the financial statements of the Genesee County Land Bank Authority for the year ended September 30, 2007, and have issued our report thereon dated February 26, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 30, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Genesee County Land Bank Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Genesee County Land Bank Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the Genesee County Land Bank Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Genesee County Land Bank Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Genesee County Land Bank Authority, either individually or in the aggregate, indicate matters that could have a significant effect on the Genesee County Land Bank Authority's financial reporting process.

Disagreements with Management

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

Consultations with Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Genesee County Land Bank Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

Reconciliations of various accounts such as land inventory, sales, and cost of goods sold were not accurately prepared in advance of our field work. This is the result of the aforementioned accounts not being reconciled on a frequent basis throughout the year. Other work papers that were requested were not prepared as well. Both situations caused additional work for the audit staff and a delay in finalizing the audit.

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

Very truly yours,

Yeo & Yeo, PC
CPAs and Business Consultants



By

Jane M. Johnson, CPA



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To the Board of Directors of Genesee County Land Bank Authority
and Jon Care, Executive Director

In planning and performing our audit of the financial statements of Genesee County Land Bank Authority as of and for the year ended September 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Genesee County Land Bank's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Genesee County Land Bank Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Genesee County Land Bank Authority's internal control.

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

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

There is a lack of segregation of duties in the accounts receivable function. The person responsible for invoicing has custody of assets as well as the record keeping function i.e. general ledger function. This is due to the fact that there are not enough staff members in the accounting department for each of these functions to be done by different individuals. A person other than the individual recording the receipts and the person responsible for invoicing and accounts receivable reconciliation should handle the deposits i.e. custody of assets.

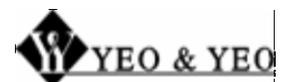
Significant balance sheet accounts are not being reconciled on a timely basis. All subsidiary journals such as inventory, sales, cost of sales, and accounts receivable need to be reconciled to the general ledger on a monthly or at a minimum quarterly basis to ensure that the financial statements are accurately prepared. Other items such as accrued interest and other liabilities also need to be evaluated on a regular basis.

Significant transactions such as the transfer of the Land Bank Center improvements and the related liability from Genesee County were not recorded as of year end. All significant agreements entered into by the Genesee County Land Bank Authority should be recorded in the board minutes. The board minutes can then be used to ensure that transactions that occur outside of the financial reporting system are recorded.

A blended component unit was not reported in the financial statements of the Genesee County Land Bank Authority as required under accounting principles generally accepted in the U.S. This entity needs to be audited in the upcoming year and included in the financial statements of the Authority for year ended September 30, 2008. Other entities of this type that are created in the future need to be evaluated during the year to ensure that they are reflected in the financial statements of the Authority if deemed to be component units of the Genesee County Land Bank Authority.

We noted during our audit that there is not restricted access to keys used to open the safe. This resulted in the theft of \$5,400. We recommend that access to the keys to the safe be restricted and that money be deposited in the bank on an as needed basis to avoid large accumulations of money in the safe. Management has since procured a new safe with limited access.

We have also noted an item that we feel could improve your internal controls or operating efficiencies. The item is not considered a significant deficiency or a material weaknesses but are presented for your consideration.



We noted that the Director of Finance was not signing off on the bank reconciliations, and payroll journals. We recommend that the Director of Finance signoff on these to document the review and approval of these documents..

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

Yeo & Yeo, P.C.

Flint, Michigan
February 26, 2008