



DETROIT LAND BANK
AUTHORITY
QUARTERLY REPORT TO
CITY COUNCIL
JANUARY- 2018



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January 16, 2018

The Honorable Brenda Jones, President
Detroit City Council
Coleman A. Young Municipal Activity Center, 13th Floor
Detroit, MI 48226

Subject: City Council Quarterly Report, 2nd Quarter FY 2018, Detroit Land Bank Authority

Dear Council President Jones:

I am pleased to submit this quarterly report on behalf of the Detroit Land Bank Authority. As you will see, during the 2nd Quarter of FY2018 we sold 441 Side Lots, 172 Auction properties, and 211 houses through our Own-it-Now sales program. We will continue to look for meaningful ways to put the publicly-owned properties in the DLBA inventory back into productive use.

As Executive Director, it is personally important to me that we operate in a manner that is fair and transparent, and that every employee of the Land Bank treats customer service as paramount. Our goal is to communicate both internally and externally with care and professionalism in all our interactions. In the coming months, the DLBA will focus on several initiatives designed to position the agency for increased visibility in the community. In the coming months, the DLBA will focus on improving our customer service profile, increasing our level of communication, and being visible in the community.

I look forward to a renewed partnership between the Detroit Land Bank Authority and City Council as continue to serve the citizens of Detroit and our entire community.

Sincerely,

Saskia Thompson
Executive Director

Financial Overview
Irene Tucker, Chief Financial Officer

The Finance Department continues with the transformation process in aligning itself to fully support the DLBA's dynamic and ever evolving operational day-to-day functions. The summary below will discuss (1) December FY 2018 Actual to Budget; (2) Balance Sheet Highlights; and (3) Status Update on the Hardest Hit Funds.

December 2018 Fiscal Year to Date Actual versus Budget

Revenue for the period was \$36.8M vs. Budget of \$40.3M. Expenses were \$26.8M vs. Budget of \$40.6M. Variance was primarily driven by timing difference in expenditures to be incurred for demolition activities related to the Hardest Hit Fund – Rounds 4 and 5.

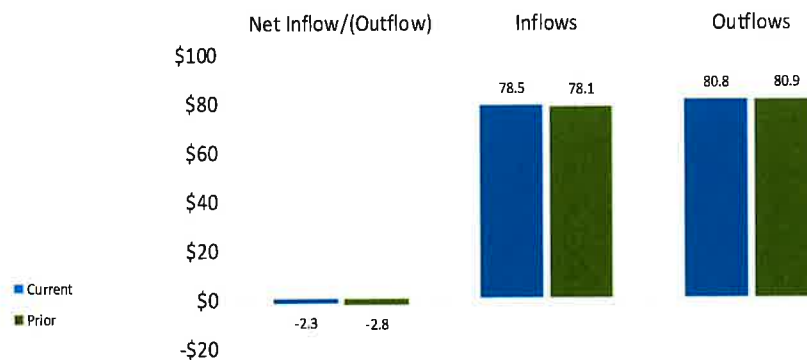
December 2018 Balance Sheet Highlights

- The balance sheet ended strong with a working capital ratio which indicated that the DLBA current assets exceeds current liabilities 1.9 times.
- Hardest Hit Funding cash for Demolition was \$9.3M.
- Restricted cash balance of \$6.2M primarily consisted of maintenance fees for the 8,714 demolitions completed from the Hardest Hit Program's inception to date and private funding for programs like the Rehabbed and Ready Program.
- Designated cash from private donors was \$1.9M
- Pursuant to the chart below, cash outflows are currently being forecasted to exceed cash inflows by \$2.3M, the overall cash position projection indicated existing cash will be able to support these activities.

Detroit Land Bank Authority

Financial Overview - in Millions

FYTD 18 December Cash Flow Forecast (6+6)

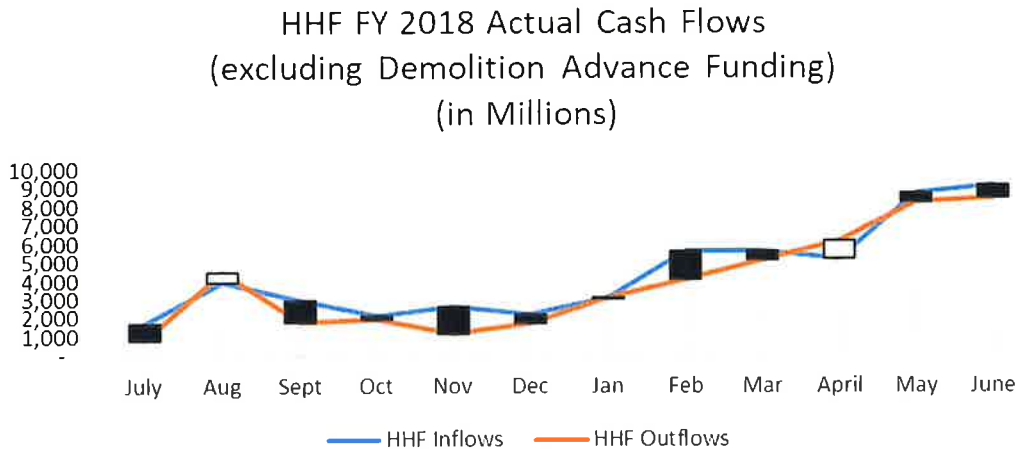


Note- 6 months of actual cash Expenses and Revenues with 6 months projected to 6/30/18 (cash basis)

Hardest Hit Fund Updates

FY18 Activity

From July 2017 to December 2017, over \$11M was paid for demolition expenses relating to this program. Cash receipts from our partner, MSHDA, exceeded \$15M. During this same period over 900 demolitions were funded. The chart below is a summary of the forecasted cash flows to June 30, 2018 (Note - 6 months of actuals and 6 months forecasted).



Inception to Date

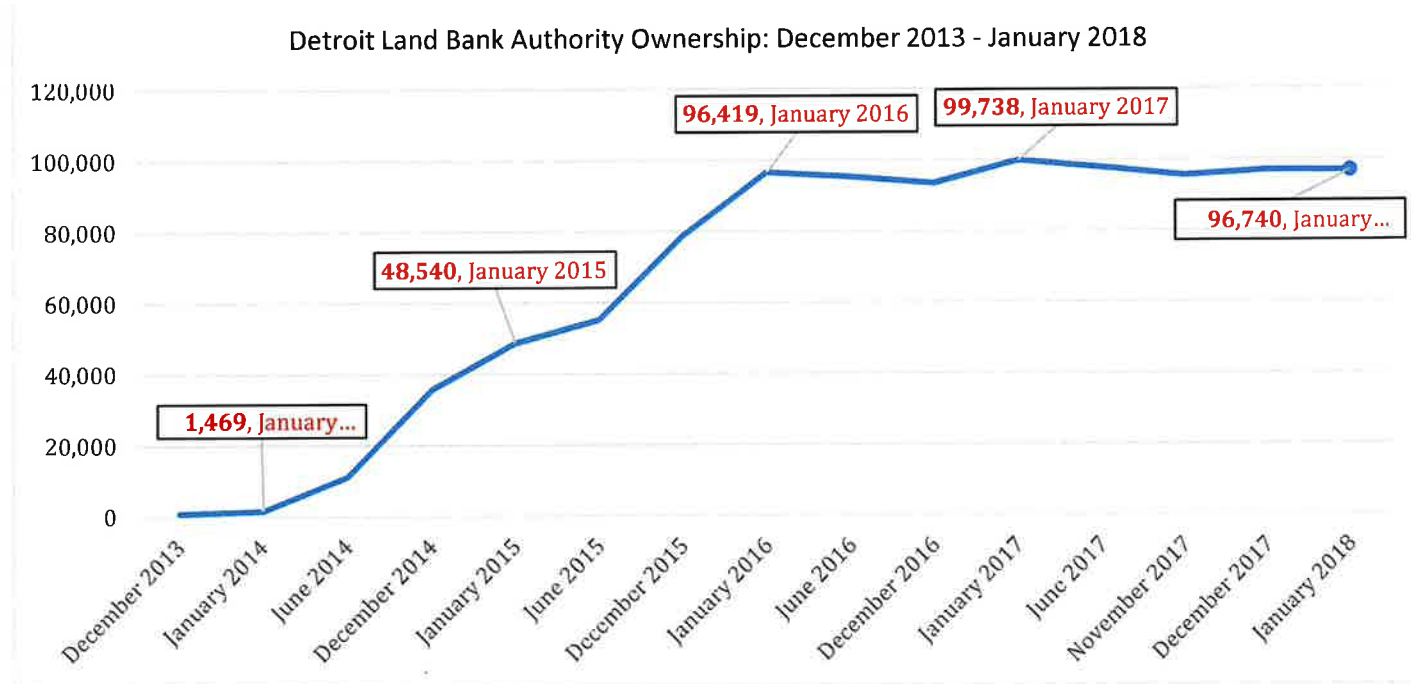
To date, the Hardest Hit Fund reimbursable expenses paid exceeded \$140M and reimbursements from MSHDA were greater than \$142M. By way of the gracious support by both City Council and the City of Detroit, the Demolition Advance Fund significantly funded vendor payments through the program. To date, there is a balance of \$10M owed that will be paid in full upon the completion of the program. We look forward to our continued partnership with the City Council in eliminating Detroit's blight.

Please see the appendix for detailed financial information listed below:

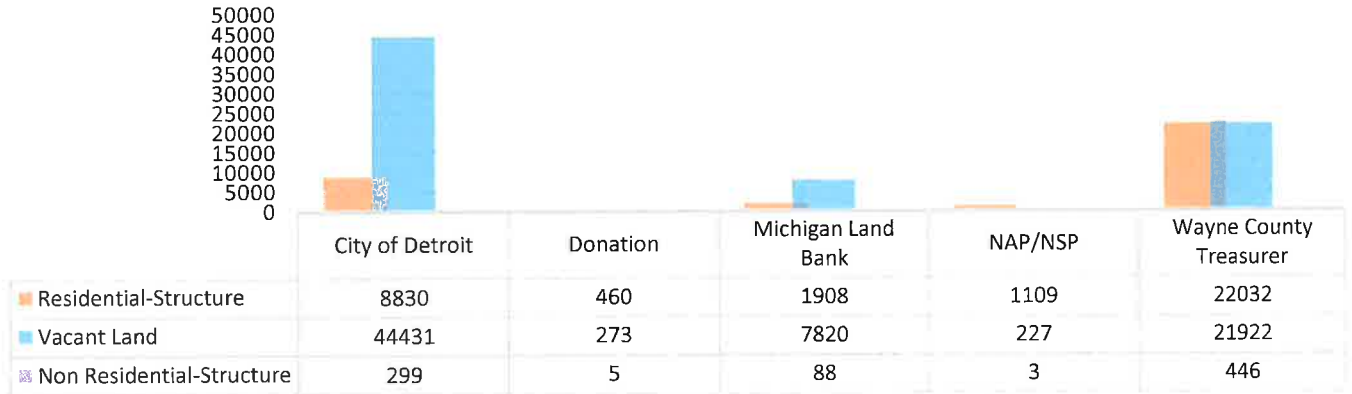
- Year to Date December 31, 2017 Income Statement Summary
- December 31, 2017 Balance Sheet
- Final June 30, 2017 Audited Financial Statements
- Final June 30, 2017 Schedule of Expenditures of Federal Awards and Related Audit Reports

Inventory Department
Darnell Adams, Director of Inventory

The Detroit Land Bank Authority (DLBA) currently has in its inventory 96,740 properties throughout the City of Detroit. Since January 2014, the DLBA has held title to 109,853 properties and while it has been able to sell more than 12,000 properties since that time, the total inventory has increased due to transfers from other public agencies. In January 2014 the DLBA total inventory was 1,469 properties. DLBA ownership inventory has continued to rise due to a city policy of consolidating land ownership into a single entity rather than by multiple public agencies, and as of January 2018 the total number of properties owned by the DLBA is 96,740.

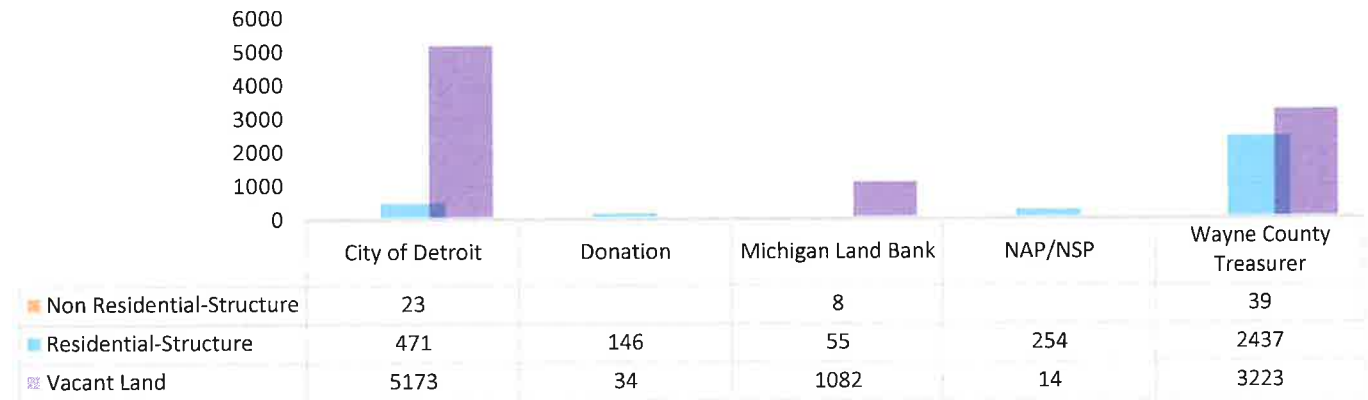


Acquisition Source of All Property Currently and Formerly Owned by the DLBA Land vs Structures



Total number of properties that the DLBA owned since January 2014- January 2018. This graph includes both current and formerly owned DLBA properties (109,853 as of January 12, 2018).

Formerly DLBA Owned Properties Land vs Structures Based on Initial Acquisition Source



Properties disposed of by the DLBA to the public based on initial acquisition method (January 2014 – January 2018. This graph only includes properties that the DLBA has sold as of January 12, 2018.

Each year the total number of properties coming into the DLBA has outpaced the number of properties leaving the DLBA back into private ownership. 2017 is the first year for which this pattern has changed, as the DLBA was able to sell almost five thousand (5,000) parcels but only received less than 2000 properties from the Wayne County Treasurer's Unsold Tax Foreclosure Auctions, a lower number than any previous year. For the first time in the DLBA's short history, its ownership is declining.

Percent Change in Ownership (January 2014 – January 2018)

Date	Number of Properties	Percent Change Year Over Year
January 2014	1,469	100%
January 2015	48,540	3204%
January 2016	96,419	99%
January 2017	99,738	3%
January 2018	96,740	-3%

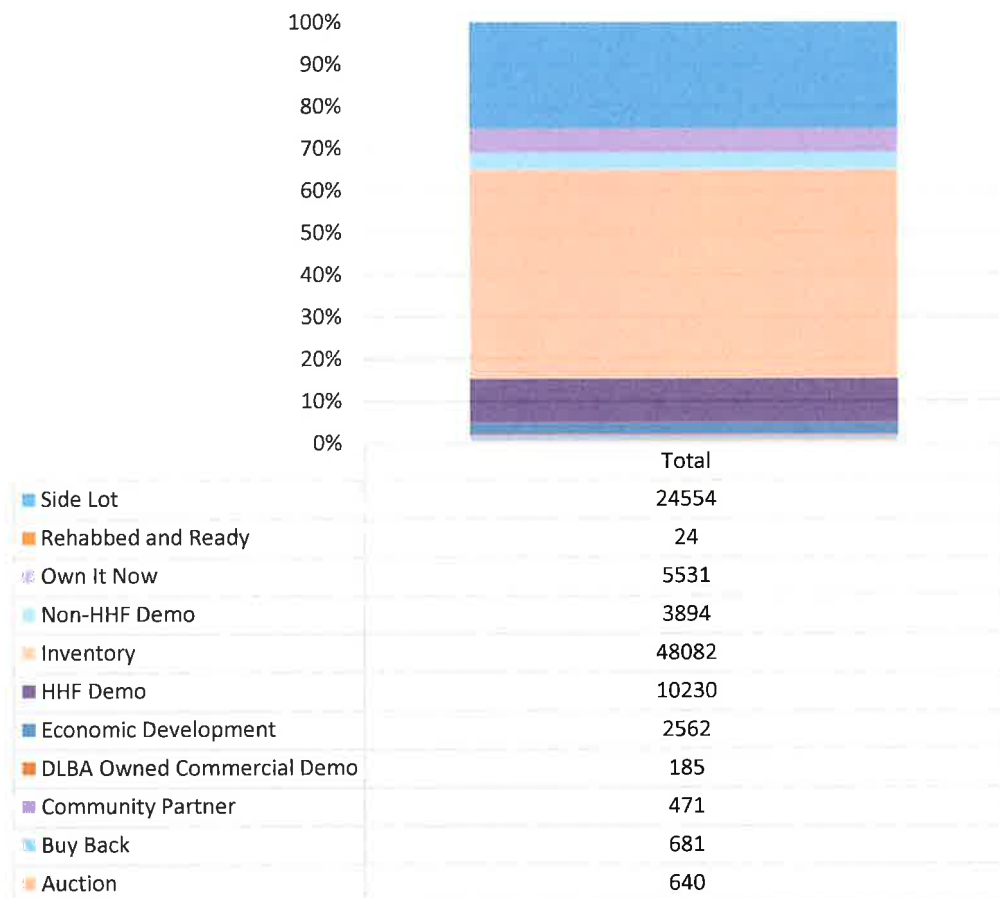
Property Transferred to DLBA Post-2017 Wayne County Tax Foreclosure Auction

Accessory Structures	9
Occupied Residential Structures	0
Residential Structures	839
Vacant Lots	875
Total	1723

Pipeline Breakdown

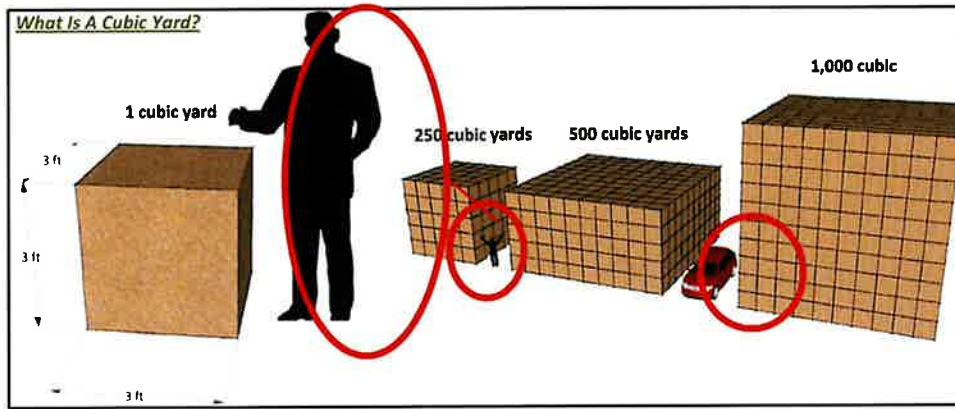
The inventory assesses all properties that come into DLBA ownership to determine characteristics each has and what pipeline it should be assigned to. As of January 2018 a total of 65,147 of properties are vacant lots and 31,747 have a structure on them. The following charts give an overview of how that inventory of lots and structures breaks down by program and pipeline within the DLBA.

Detroit Land Bank Inventory by Program



Property Management and Maintenance

In preparation for listing a property for sale, as well as in response to resident calls to the DLBA, the Inventory team has removed interior and exterior debris (illegal dumping, backyard cleanup), as well as boarded up vacant properties. Since January 1, 2017 through December 31, 2017, the DLBA has removed **54,736 cubic yards** of interior and exterior debris, and have **boarded 3,801 windows and doors**.



Breakdown of Debris Removal and Board Ups: January 2017 – December 31, 2017

Month	Exterior Debris	Interior Debris	Sum of Total Cubic Yards	Boards (Windows/Doors)
January	390	101	491	167
February	875	873	1,748	158
March	3,856	6,911	10,767	761
April	1,126	3,409	4,535	420
May	3,996	2,114	6,110	531
June	6,014	3,540	9,553	459
July	4,332	2,124	6,456	365
August	2,856	1,527	4,382	210
September	2,083	606	2,689	88
October	5,307	1,660	6,967	499
November	247	466	713	82
December	189	221	410	61
Grand Total	31,270	23,550	54,736	3,801

Disposition Department Overview

Reginald Scott, Director of Disposition

The Disposition Department is responsible for managing several programs designed to sell DLBA-owned property.

Side Lot Sales

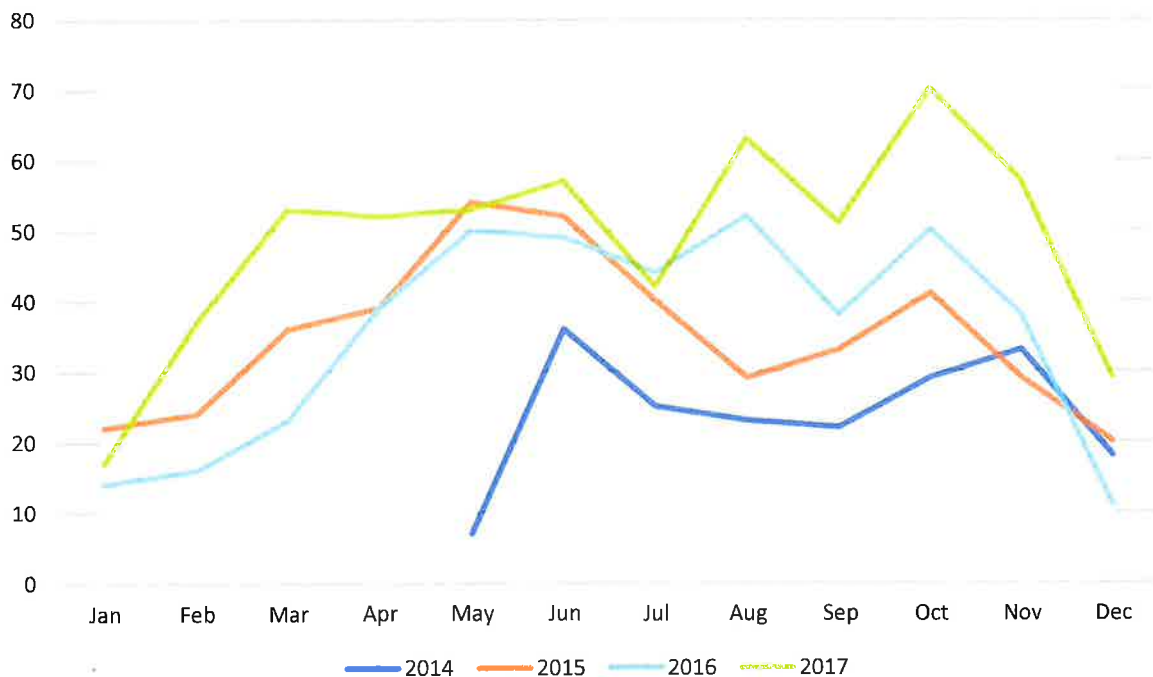
Through the Side Lot program, homeowners may purchase vacant lots owned by the DLBA that are adjacent to their homes for \$100. This program has been, and continues to be, very popular since it began in 2014. Homeowners are notified of potential side lots for sale through targeted mailings conducted by DLBA staff, and may also search by address on the Land Bank's website. To raise awareness of this program we also hold periodic Side Lot Fairs, where DLBA staff set up an event at a community location to conduct side lot sales on-site rather than requiring such sales to happen either at the Land Bank office downtown or online. The next Side Lot Fairs will be held on March 23, 2018 and April 7, 2018. When locations are determined for those events it will be posted on our website.

Side Lot Sales 2 nd Quarter FY 2018 (October – December 2017)	441
Side Lots Sales Calendar Year 2017	2799
Total Side Lot Sales since inception (2014-present)	8590

Auction

The DLBA continues to auction homes daily on the website www.buildingdetroit.org. Sales through this platform remain strong.

AUCTION SALES 5/1/2014 to 12/31/2017

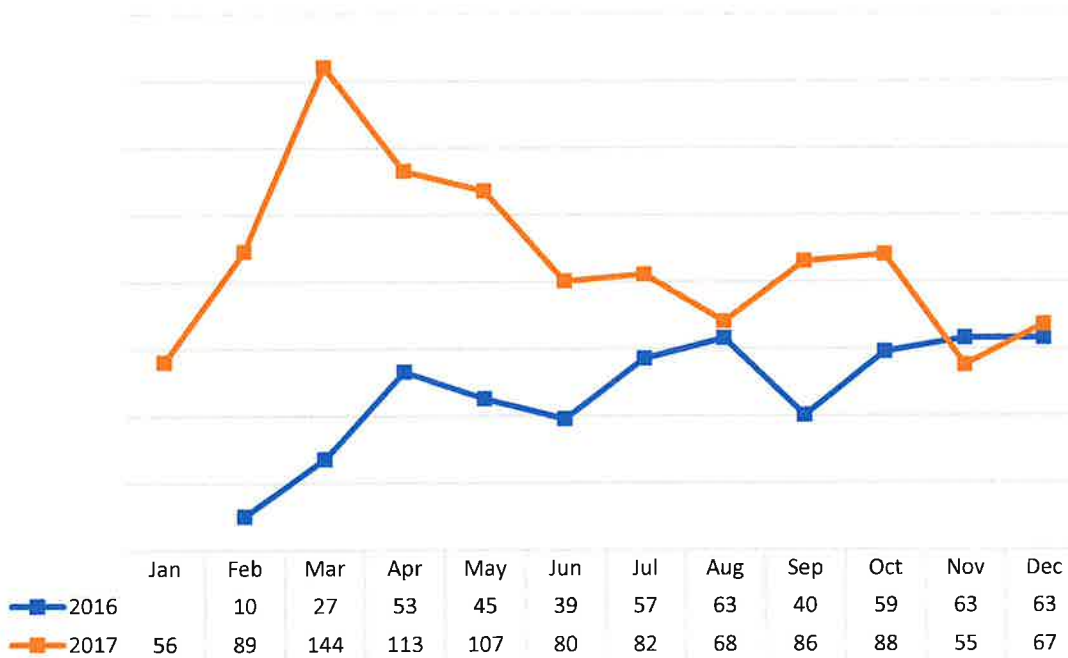


Auction Sales 2 nd Quarter FY 2018 (October – December 2017)	172
Auction Calendar Year 2017	703
Total Auction Sales since inception (2014-present)	2085

Own-it-Now

Own It Now responds to public requests for properties and is more like a traditional real-estate sale with offers accepted over a period of time. Any person can contact us with an address, and with certain exceptions, we will list the property for sale online with offers accepted 24 hours a day, 7 days a week.

OWN IT NOW SALES 2/1/2016 TO 12/31/2017



Own-it-Now Sales 2 nd Quarter FY 2018 (October – December 2017)	211
Own-it-Now Sales Calendar Year 2017	1069
Total Own-it-Now Sales since inception (2014-present)	1619

For all of the sales platforms described above, the DLBA administers several discount programs. Each program has been put in place to encourage investment in Detroit through the purchase and rehabilitation of publically-owned structures, and to turn a previously vacant property into one that is occupied and back in productive use. Our discount programs are as follows:

- **Employee Discount**

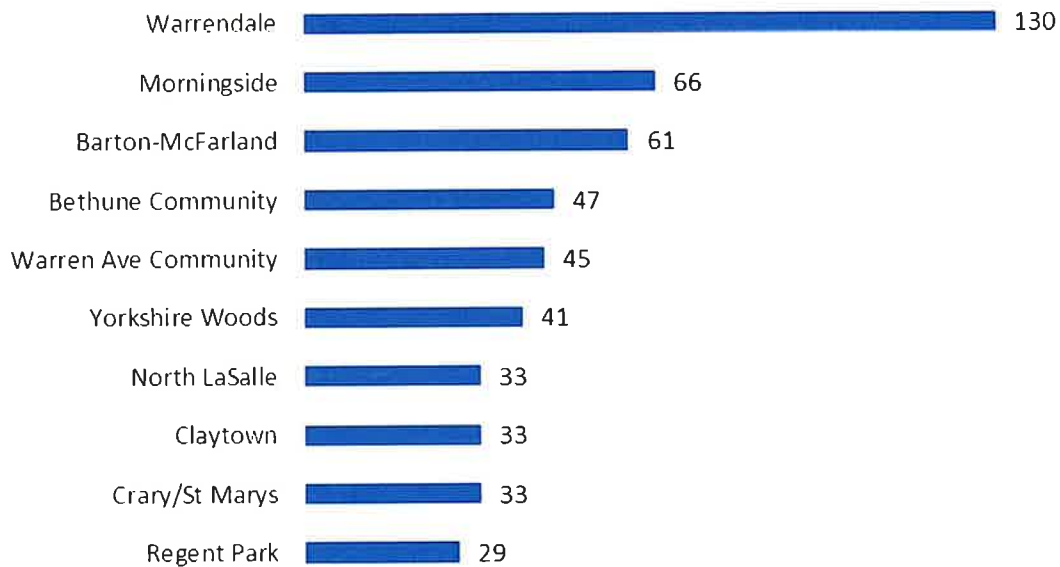
Since launching in March 2015, the Employee Discount program has provided an opportunity for employees, retirees and their families to purchase homes and invest in the City. Qualified individuals receive up to a 50% discount on any regular DLBA Auction property. Since the program

was initiated, 2,534 employees have registered for the program resulting in 325 successful auctions to date.

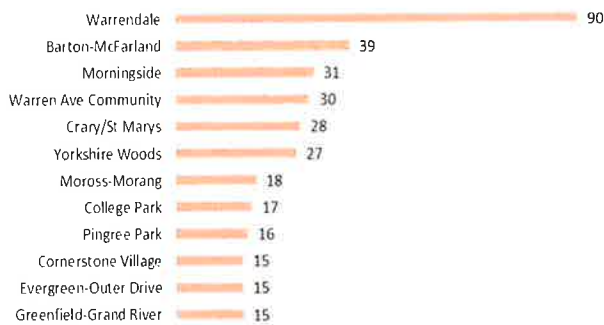
- **Educators Discount**

The program allows educators and support staff within the City of Detroit to utilize a 50% discount on DLBA Auction homes. Since the program was initiated, 238 educators have registered for the program resulting in 8 successful auctions to date.

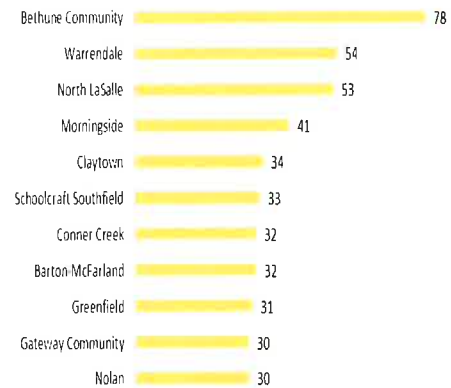
Popular Neighborhoods 2017
Both Auction and Own It Now



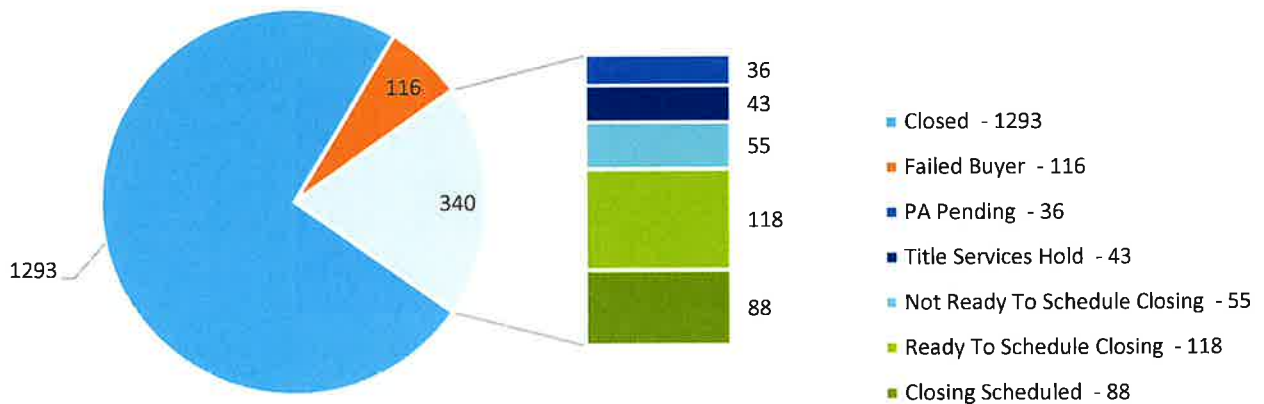
Auctions



Own It Now



Closings January 2017 to December 2018



Community Partner Program

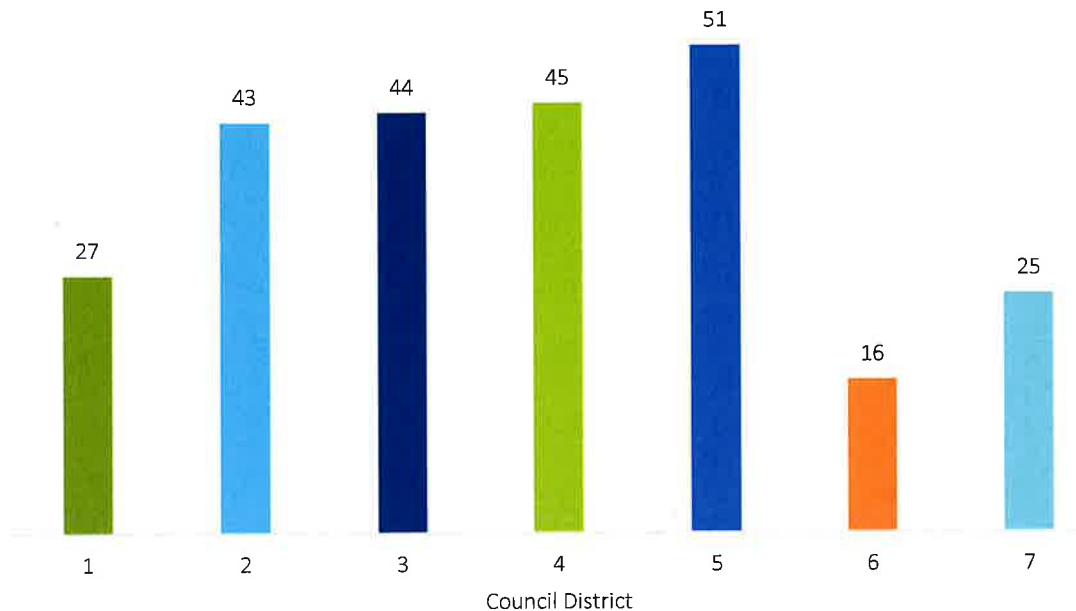
The Community Partnership program encourages faith- and community- based organizations to transform the neighborhoods that they serve through projects such as home rehabilitation, deconstruction, new construction, lot beautification, community gardens, and pocket parks. The program guides nonprofits, faith based organizations and community development organizations through the process of acquiring property through the DLBA. This program allows organizations to present proposed projects through development plans. The plans assist the Community Partnership Team in identifying properties and areas that will assist the organization in its goal.

To be eligible for the program an organization must meet the following criteria.

- Headquartered in the City of Detroit;
- Have a federal 501(c)(3) tax exempt status;
- Be current on its property taxes;
- Not have any material blight violations or fines;
- Have a letter of acknowledgment from the District Manager or City Councilperson where the organization is headquartered or its catchment area
- Work in a defined geographic target area as agreed on by the Community Partner and the DLBA, in no case, will the project area exceed 5 square miles.

Community Partners can also endorse residents for a 20 percent discount on homes purchased through the auction.

Community Partner Sales 2017 by Council District



Please see Appendix 5 for detailed highlights of some of the initiatives underway with some of our Community Partners.

Rehabbed and Ready

Rehabbed & Ready is a philanthropic initiative aimed to improve residential market values and bolster home ownership in the City of Detroit. Through collaboration with Quicken Loans, dilapidated DLBA inventory are undergoing full rehabilitation, bringing houses to at- or above-market conditions. As a neighborhood-based initiative, there are parallel efforts in place to reduce blight and encourage occupancy via the DLBA's existing demolition, nuisance abatement programs and other Disposition programs in the Rehabbed & Ready selected neighborhoods. Below, is a summary of Rehabbed & Ready's progress during the 2nd Quarter of FY 2018.

- **R&R Closings.** In the fourth quarter of 2017 we existed the selling season with multiple closings, bringing total sold through R&R to 46, with new homeowners moving into neighborhoods including Crary/St Mary's, College Park, Evergreen-Outer Drive, Bagley, East English Village, and Martin Park.
- **Open Houses** remain a staple in R&R program. To ensure prospective home owners have adequate opportunities to view our new homes, in addition to public open houses we added private showings. Being flexible will allow us to move our inventory quicker during this upcoming selling season.
 - Rehabbed & Ready public open houses occur on Wednesdays and Sundays, for the entire time a home is listed for sale.
 - Rehabbed & Ready private showings can be scheduled through our website for any day except for Saturday.

- Neighborhood Engagement: We ended Q4 2017, with 359 individuals joining our e-mail marketing list to stay updated on new listings, price reductions, and offer deadlines.
- What's next?
 - Building the Internal Team: We are continuing to build our internal processes. The R&R team now has 4 full-time staff and is poised to quickly improve on the program now that resources are on-board. We turn our focus to decreasing the per-home loss on sale.
 - R&R Pipeline: We currently have 7 properties under construction and we are also currently reviewing the next round of houses in Land Bank inventory to potentially enter the rehab pipeline.
 - Closings on Deck: At the end of Q4, 1 home is under contract and 4 properties are being prepared for listing.

By focusing efforts in select neighborhoods and spacing out sales of turn-key ready homes, the DLBA will continue to raise market comparables ("comps") and stabilize appraisals, which result in greater access to mortgages throughout the City.

Buy Back Program

The Occupied Properties Buy Back Pilot provides an opportunity for an eligible occupant in a Detroit Land Bank Authority (DLBA) owned home to purchase that Home and for the DLBA to test potential policies and procedures for dealing with the occupied properties that it owns. This Pilot allows responsible current occupants to remain in their Homes and help to stabilize their neighborhoods.

The applicant is eligible for the pilot if they qualify in any one of the following categories:

- The applicant was the most recent owner of record before the home was acquired by a public entity; or
- The applicant is or was the tenant of the most recent owner of record before the home was acquired by a public entity. A "tenant" for this purpose includes being an occupant of property that was formerly held by a family member of the Applicant; or
- The applicant is the tenant of someone who claimed to own the property; or
- The applicant can demonstrate that he or she has made substantial improvements to the property; or
- The applicant has paid for utilities in the home for at least 12 months.

The applicant will agree to all conditions in a development agreement and pay \$1,000 to the DLBA for the home and make a monthly payment of at least \$100 into a savings account for future taxes, for a minimum of twelve months or until the next tax payment is due, if that date is longer than 12 months after the closing. The occupant is required to maintain the exterior of the property, keep their water bill current and participate in quarterly "home preservation" workshops. The deed will be held in escrow until that period and will be conveyed to the occupant afterward.

Current Buy Back Pipeline

Monitor Compliance (expected to complete program July 2018)	177
Eligibility Under Review	521
Inspection in Progress	3
Need to take HPE Course	80
Ready to Close	55
Potential Reconveyance	7
Sales Hold for potential NPOC	23
Upcoming Completion (January 2018)	15
Ineligible for Buy Back	659
Total Current Buy Back Pipeline	881

Demolition Department Overview

Tammy Daniels, Interim Director of Demolition

The Detroit Land Bank Authority (DLBA), in partnership with the Mayor's Office, City Council, and the Detroit Building Authority (DBA), has consistently been able to impact all Council Districts through its various programs. In 2015, the DLBA's demolition program made great strides towards blight reduction in highly populated/high density areas, radial thoroughfares and commercial corridors.

Hardest Hit Funds

The initial funding from the Hardest Hit Fund (HHF1) provided \$57,342,668.95 in demolition funds and was closed in the Third Quarter 2015, with a mere \$700.00 remaining balance, which was transferred to the next round. This initial program funding allowed for the demolition of 3,683 residential structures and the transfer of approximately 300 side lots to adjacent property owners.

The second round of Hardest Hit Funds (HHF2) provided \$50,000,719.05 in demolition funds. As of December 31, 2017, the DLBA has been reimbursed \$49,985,042.62 by MSHDA. Early in the Fourth Quarter 2017, the DLBA's demolition team reduced the grant funds remaining under this round to \$5,410.94, effectively closing out HHF2. We anticipate the remaining balance will be transferred to future rounds. This second round of funding allowed for the demolition of 2,931 residential structures.

The third round of Hardest Hit Funds (HHF3) provided \$21,255,000.00 in demolition funds. As of December 31, 2017, the DLBA has been reimbursed \$19,731,658.52; leaving \$1,523,341.48 to be drawn down by the DLBA. We anticipate the close of this round of funding on or before June 1, 2018. This third round of funding allows for the demolition of 1,478 properties across the seven Council Districts.

The fourth round of Hardest Hit Funds (HHF4) provided \$41,901,646.00 in demolition funds. As of December 31, 2017, in partnership with the DBA, the DBA has completed the procurement process for the 2,400 structures slated for demolition with this round of funding. As of the same date, the DLBA has been reimbursed \$12,090,227.24; leaving \$29,811,418.76 in grant funds to be drawn down by the DLBA, which is inclusive of the \$7,322,837.56 which the DLBA is currently seeking reimbursement.

The fifth round of Hardest Hit Funds (HHF5) provides for \$88,153,425.00 in demolition funds. As of December 31, 2017, in partnership with the DBA, the DLBA has begun the procurement process for this final round of funding. Beginning in June of 2017, the Environmental Due Diligence Procurement Process began in earnest. There are currently 1,700 properties under contract with an additional 700 properties currently in the RFP process. The first HHF5 demolition RFPs were issued in September 2017, and the DLBA expects to demolish approximately 5,200 residential structures under this final round of funding.

DLBA continues to work diligently with the demolition contractors to ensure their invoices and supporting documents are correct and complete, and are processed timely. Please see the Hardest Hit Fund Program tab of www.buildingdetroit.org for a complete list of properties that have been demolished and released to contractors.

Neighborhood Stabilization Program

DLBA was awarded NSP Program Income funds for demolition in the amount of \$4.3 million with very specific eligibility requirements. Structures had to be owned by the DLBA, be located in approved census tracts (pre-determined by HUD), and undergo Section 106 Historical Review. To date, the DLBA has demolished 273 structures with NSP funding, perhaps most notably, Blackwell Middle School. As of the date of this report, the DLBA has completed its spenddown, and closed out the program.

Legal Department Overview
Mike Brady, General Counsel

The Detroit Land Bank Authority (DLBA) Legal Department provides legal counsel and assistance to the Board of Directors, the Executive Director, and to the organization's staff for all programs (e.g. disposition, acquisition, and demolition). Additionally, the Legal Department staffs various DLBA programs, including Quiet Title, Compliance, and the Nuisance Abatement Program.

Quiet Title

The Legal Department files and oversees expedited Quiet Title Actions pursuant to authority under Section 9 of the Land Bank Fast Track Act, MCL 124.759. On September 2, 2014 the Chief Judge of the Wayne County Circuit Court issued a special docket directive which created a special docket allowing the Detroit Land Bank Authority to file these actions in an efficient manner. Quiet title actions are filed on properties that have been acquired by the DLBA and which will enable the DLBA to dispose of those properties with a clear title. As of December 31, 2017, this last quarter, the Legal Department has received One hundred-eighty-two quiet title judgments.

Nuisance Abatement / Abandoned Properties

The Nuisance Abatement Program (NAP) within the Detroit Land Bank Authority (DLBA) was established in February 2014. The Detroit City Council delegated non-exclusive authority to commence Nuisance Abatement litigation on February 18, 2014 (Council Action Number 23).

Properties that meet the criteria are: vacant and unoccupied, boarded, open to trespass, clearly abandoned or neglected, and tax delinquent for at least one year. The property addresses are initially identified through governmental data, and then verified by investigators, community groups, or neighbors, in targeted geographic areas. The NAP Target Areas were defined by the City of Detroit Department of Neighborhoods with input from members of the community. Specific boundaries were determined with the use of data sources to specify areas where NAP actions would be most effective.

Service of Process is made on all parties of interest. A search of tax and title records is conducted for each property, to determine all interest holders of record; including owners, mortgage companies, and any other liens. All interest holders of record are named in the civil lawsuit, which requests that the 'nuisance' created by the condition be abated. Owners or interest holders in property who fail to respond to the lawsuit may lose their ownership rights to the property at a hearing for default judgment.

This last quarter, the NAP program has started new actions after retooling to update processes to be in line with new title insurance standards. To that end, the DLBA worked with Westcor Land Title Insurance Company and Liberty Title Agency to establish a title insurance escrow account to support nuisance abatement activities with \$2 million received from the City of Detroit. As of December 31, 2017, in the last quarter, the Legal Department had identified, placed notices ("posters") on and filed suit against over thirty-three properties in nineteen different neighborhoods throughout the City. These result in agreements to address the blight or in judgments awarding ownership of the properties to the DLBA so that the blight may be addressed through the DLBA's various programs.

In the last quarter, there were over thirteen agreements with property owners to rehabilitate their properties. In the last quarter, as of December 31, 2017, the NAP program received twelve default judgments, three donations, and three properties purchased.

Compliance

The DLBA's Compliance Team enforces agreements signed by property owners who have either purchased a property from the DLBA ("Sales Compliance"), or whose property was the subject of a nuisance abatement action ("NAP Compliance"). For both Sales and NAP Compliance, property owners agree to rehabilitate the property within six (6) months and to provide regular updates to the Compliance Team documenting and verifying that progress. If a property owner is not able to achieve compliance within the initial timeframe, but has shown acceptable "proof of progress," the Compliance Team provides 90-day extensions. Also, if the property is located within a local historic district, or the property was purchased during the winter months, an automatic 90-day extension is provided.

For Sales Compliance, the compliance reporting period begins on the date of closing, when the property owner takes title to the property and obtains possession. At that same time, the property owner simultaneously executes a Reconveyance Deed that the DLBA can record if the property owner fails to rehabilitate the property and meet the obligations outlined in the purchase agreement. Sales Compliance is achieved by obtaining the appropriate certificates from the City of Detroit's Building Safety Engineering Environmental Department. Once Sales Compliance is achieved, the DLBA releases its interest and destroys the Reconveyance Deed.

For NAP Compliance, the property had been identified as vacant, blighted, and a nuisance. To avoid or stop litigation, a property owner signs an agreement which outlines their responsibilities for rehabilitating or demolishing the property, or selling to someone who will. If the property owner fails to provide "proof of progress" on the subject property, the Compliance Team transfers the matter to attorneys for court action. NAP Compliance is achieved by showing that the property is no longer a nuisance to the residents and the neighborhood. Once NAP Compliance is achieved, the DLBA releases its lis pendens and dismisses the lawsuit.

	Auction/Own It Now (Sales)			Community Partners (Sales)			Nuisance Abatement Program			Grand Total		
						2nd Quarter			2nd Quarter			2nd Quarter
	Program- to-date	2017	2nd Quarter (10/1-12/31)	Program- to-date	2017	(10/1- 12/31)	Program- to-date	2017	(10/1- 12/31)	Program- to-date	2017	(10/1- 12/31)
Currently Monitored	1685	1275	335	93	72	16	312	80	31	2090	1427	382
Compliance												
Achieved	982	547	137	73	51	5	999	149	23	2054	747	165
*Failed												
Compliance												
Obligations	253	158	44	34	11	5	288	129	12	575	298	61

Public Affairs Department
Craig Fahle, Director of Public Affairs

The mission of the Department of Public Affairs is to educate citizens about the Detroit Land Bank Authority and its programs. The department is responsible for marketing, which includes advertising, market research, media planning and strategy. The Department of Public Affairs also is responsible for media relations, public relations, and customer service. Public Affairs also plans and executes community outreach and engagement activities, including public meetings, open houses, off-site sales events, and social media communications.

Advertising Campaign/Marketing

In the latest quarter, The DLBA Public Affairs team continued to advertise our open house/auction program, the “own it now” program, and the “Rehabbed and Ready” program. We also ran advertisements for our city employee and educator discounts. Despite competition from the annual County Auction, web traffic continues to be strong. www.BuildingDetroit.org page up 33% over the same period last year. There were over 2 million page views in the period, and over 107,000 users. Consistently, one third of the traffic to the site is new users, meaning our message continues to reach new people. As of 12/31/17, the DLBA has 24,900 registered bidders on its site. An average of 150 people per week were added in the latest quarter.

We are always adding more information and data to our website, and the City of Detroit’s open data portal. In addition, our newly redesigned website will give prospective buyers a much more streamlined and reliable experience. We will be adding new educational content to the site, instructing people how the purchase process works, on how to register, and how to find information about properties in the city. The DLBA continues to update vital information on the website. Information available includes all data on all property transactions that have been completed, including side lots, auctions, and direct sales; all contractual relationships between vendors and the DLBA; minutes from board meetings; quarterly reports sent to City Council; and a robust and lengthy list of frequently asked questions about the DLBA and its activities, including auctions, direct sales, occupied program, and demolition. Much more property data will be made available on our site in the coming weeks

Our DLBA Facebook page and twitter feed continue to grow. We now have over 10,400 followers on Facebook, and more than 2400 followers on our Twitter account. These accounts allow us to reach out to residents about our properties and programs. We also regularly post information about other city initiatives, upcoming community meetings, and success stories from the neighborhoods. Let us know if we can help promote any upcoming constituent events you may be hosting.

The DLBA continues to host open houses to allow prospective clients to view the homes we have for sale. In the most recent quarter, the DLBA showed 202 homes, with 1599 unique visitors.

Community Engagement

The Public Affairs department is appreciative of the City Council, and has a healthy and productive relationship with City Council staff. We are always happy to assist when we can, by answering questions, working to solve constituent issues, and to provide as much data as possible to residents. Our enhanced engagement plan is giving residents and block clubs much more locally focused, neighborhood centric data, giving people a much more detailed view of the work happening directly in their area.

Beginning in January of 2018, the DLBA will be holding monthly informational meetings, rotating between the various council districts. Those who attend will not only get information, but will also be able to purchase side lots and register to purchase homes from the DLBA. We look forward to working with members of the City Council to make sure these events are both well attended, and provide a meaningful service to Detroit residents. As always, we encourage council members to alert us to upcoming events in their districts. The DLBA always appreciates an opportunity to participate, and get direct feedback from city residents. Simply contact Craig Fahle (cfahle@detroitlandbank.org) or Rod Liggons (rliggons@detroitlandbank.org) in the Public Affairs department if you would like your event added to our Calendar, or if we can support you in your efforts to engage the community.

Community Meetings

The Community engagement team regularly accepts invitations from the community to speak about the DLBA and its programs. Our goal is to always to give residents, block clubs, and community groups the information they need to better understand the DLBA's role in their neighborhoods. When attending events, we usually do one of four things:

- Presentation- General presentation about land bank programs, properties and processes.
- Q&A- Question and answer with the entire group
- Resource Table – Attend events and meet with interested parties individually
- Property Response- Answering specific concerns about properties

DATE	EVENT	WHAT WAS PRESENTED	DISTRICT
11-Oct	Meeting-E. Higgins	Discussed buying bulk DLBA properties	2
Oct. 11	S. Benson community resource fair	Gave presentation, answered questions, handouts	3
Oct. 13	J. Ayers-coffee hours	Took part in councilmember's community event	4
Oct. 13	Lead Safe Detroit	Discussed property safety related to lead poisoning	4
Oct. 17	Bethune Community Council meeting	Gave presentation, answered questions, handouts	1
Oct. 18	Councilman Tate satellite hours	answered questions, left handouts, researched lots	1
Oct. 20	Michigan & Wayne County LB meeting	Met w/State, County Land Bank reps	in office
Oct. 21	New Life Church homebuyers meeting	Gave presentation, answered questions, handouts	2
Oct. 21	Greenpath homebuyers workshop	Gave presentation, answered questions, handouts	5
Oct. 26	Community partner update meeting	Toured DLBA houses being rehabbed	4
Nov. 2	Teachers discount fair	Shared details on teachers discount program	5
Nov. 4	Arise Detroit Neighborhood summit	Moderated panel, gave presentation, Q&A	6
Nov. 11	DMS Homebuyers workshop	Gave presentation, answered questions, handouts	1

Nov. 11	Land & Water forum	Q&A, left handouts, researched lots & houses	4
Nov. 14	Detroit City Council community meeting	Responded to property concerns and upkeep	4
Nov. 21	Mayor Duggan community meeting	Responded to property concerns and upkeep	2
Nov. 27	Mayor Duggan community meeting	Responded to property concerns and upkeep	5
Nov. 28	Mayor Duggan community meeting	Responded to property concerns and upkeep	7
Nov. 29	Mayor Duggan community meeting	Responded to property concerns and upkeep	4
Dec. 2	Councilman Tate year-end potluck	Responded to property concerns and upkeep	1
Dec. 4	Councilmember Casteneda-Lopez event	Year end update	6
Dec. 6	District 7 Holiday party	answered questions, interacted with constituents	7
Dec. 7	Mayor Duggan community meeting	Responded to property concerns and upkeep	6
Dec.11	Mayor Duggan community meeting	Responded to property concerns and upkeep	3
Dec. 14	Mayor Duggan community meeting	Responded to property concerns and upkeep	1

Client Services

As we continue to improve the quality of our customers' experiences with the Detroit Land Bank Authority, our Public Affairs/Clients Services team has been taking great strides to reduce the wait time for customers contacting us via phone and the office. We continue to invest in training and technology that improves our ability to monitor quality assurance, and improve the accuracy of the information being provided to the public. We are also training staff in other departments to assist with client concerns when necessary. In addition, we have representatives that are fluent in multiple languages, so we can better service residents and clients.

We are proud of our accomplishments in this arena. Phone wait times are down significantly, while the number of customer inquiries we receive grows. Currently, 9 full time staff are devoted to customer service. In addition, the other 5 members of the Public Affairs team, including managers, and the Director, work with clients every day in an ongoing effort to provide the highest quality, most efficient, and friendliest customer service in the city of Detroit in either the public or private sector.

Call Center Numbers by Month

	OCT	NOV	DEC	4th Quarter
Total Calls Queued:	7,464	6,320	3,783	17,567
Total Calls Answered (ACD Calls):	6,771	5,558	3,557	15,886
Total Calls Answered within 3 minutes Service Level:	5,209	4,279	2,963	12,451
Average Number of Calls Queued Per Day:	339	302	207	283
Average Wait Time:	0:01:13	0:01:19	0:00:46	0:01:06
Calls Abandoned from Queue:	648	740	219	1,607
Average Time to Abandon:	0:02:01	0:06:01	0:02:25	0:03:29
Sum of Total Abandoned Calls, Abandoned in 15 seconds:	75	63	29	167
Sum of Total Abandoned Calls, Abandoned in 30 seconds:	119	96	39	254
Sum of Total Abandoned Calls, Abandoned in 60 seconds:	187	158	64	409
Sum of Total Abandoned Calls, Abandoned in 90 seconds:	254	234	100	588
Calls abandoned before entrance message completes:	34	38	15	87

Call Center Percentages by Month

	OCT	NOV	DEC	4th Quarter
Total Calls Queued:	7,464	6,320	3,783	17,567
Percentage of Total Calls from Queue Answered:	90.7%	87.9%	94.0%	90.9%
Percentage of Total Calls Answered within Service Level:	76.9%	77.0%	78.3%	77.4%
Total Calls Abandoned from Queue:	648	740	219	1,607
Percentage of Total Calls Abandoned from Queue:	8.7%	11.7%	5.8%	8.7%
Percentage of Total Abandoned Calls, Abandoned in 15 seconds:	11.6%	8.5%	13.2%	11.1%
Percentage of Total Abandoned Calls, Abandoned in 30 seconds:	18.4%	13.0%	17.8%	16.4%
Percentage of Total Abandoned Calls, Abandoned in 60 seconds:	28.9%	21.4%	29.2%	26.5%
Percentage of Total Abandoned Calls, Abandoned in 90 seconds:	39.2%	31.6%	45.7%	38.8%
Percentage of Queued Calls Abandoned Before Entry Message Completes:	5.2%	5.1%	6.9%	5.7%

Client Service Walk-in Numbers by Month

	OCT	NOV	DEC	4th Quarter
Walk-in Count:	1120	863	531	2514

Appendix 1: Income Statement Summary for Period Ending December 31, 2017

Detroit Land Bank Authority

Income Statement Summary

For the Period Ending December 31, 2017

(Unaudited)



Building
Detroit

Powered by the Detroit Land Bank Authority

	YTD Actual	YTD Budget	Variance
Income			
50/50 Proceeds	480,981	-	480,981
Donated Goods and Services	671,100	-	671,100
Gain (Loss) on Sale of Property	(182,916)	-	(182,916)
Government Revenues	31,434,810	37,128,398	(5,693,588)
Inter-Company Revenue	1,439,357	688,714	750,643
Impairment of Inventory	(535,844)	-	(535,844)
Cost of Inventory	(583,000)	-	(583,000)
Other Income	52,927	246,000	(193,073)
Private Grant Revenues	343,166	700,000	(356,834)
Program Income	-	-	-
Quiet Title Fees	122,323	30,000	92,323
Side Lot Sales	352,324	175,000	177,324
Structure Sales	3,597,947	1,995,000	1,602,947
SUBTOTAL	37,193,175	40,963,111	(3,769,936)
Elimination	(344,357)	(688,714)	(344,357)
Total Income	36,848,818	40,274,397	(3,425,580)

	YTD Actual	YTD Budget	Variance
Expenses			
Facilities Costs	727,314	542,937	(184,377)
General Admin Costs	741,940	639,000	(102,940)
Inter-Company Expense	344,357	688,714	344,357
Personnel Costs	4,465,432	5,423,225	957,793
Professional Services	1,452,381	2,150,994	698,614
Program Expense	19,451,331	31,875,116	12,423,785
SUBTOTAL	27,182,755	41,319,986	14,137,231
Elimination	(344,357)	(688,714)	(344,357)
Total Expense	26,838,398	40,631,272	13,792,874

Net Income	\$10,010,420	\$(356,875)	\$10,367,294
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Appendix 2: Balance Sheet Detailed as of December 31, 2017

Detroit Land Bank Authority

Balance Sheet Detailed

As of December 31, 2017

(Unaudited)



**Building
Detroit**

Powered by the Detroit Land Bank Authority

Row Labels	Current Period	June 30, 2017	Current vs June
Current Assets			
Cash And Cash Equivalents	19,810,484	11,646,419	8,164,064
Accrued/Accounts Receivable	18,287,048	18,252,688	34,360
Other Current Assets	23,808,691	24,515,504	(706,812)
Current Assets Total	61,906,223	54,414,611	7,491,612
Fixed Assets Total	351,706	204,417	147,289
Total Assets	62,257,929	54,619,028	7,638,901

	Current Period	June 30, 2017	Current vs June
Current Liabilities			
Demo Advance Fund	10,000,000	10,000,000	-
Line of Credit - City of Detroit	-	6,500,000	6,500,000
Accrued/Accounts Payable/Other Liabilities	22,263,553	18,135,072	(4,128,482)
Total Liabilities	32,263,553	34,635,072	2,371,518
Equity	29,994,376	19,983,956	(10,010,420)
Total Liabilities & Equity	62,257,929	54,619,028	(7,638,901)

Note: CDC balance of \$248,497.85 is excluded from June 30, 2017

Note: Total Balance Sheet of \$54,619,028 plus CDC Balance of \$248,498 equals Total Balance Sheet of \$54,867,526 (page 10) of the 2017 Audited Financial Statements

DETROIT LAND BANK AUTHORITY
(A Component Unit of the City of Detroit, Michigan)

FINANCIAL STATEMENTS
(With Required Supplementary Information)

June 30, 2017 and 2016



DETROIT LAND BANK AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

November 6, 2017

To the Board of Directors
Detroit Land Bank Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Detroit Land Bank Authority (the "DLBA"), a component unit of the City of Detroit, Michigan, as of, and for the years ended, June 30, 2017 and 2016, as well as the related notes to the financial statements, which collectively comprise the DLBA's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The DLBA's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the DLBA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DLBA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the DLBA as of June 30, 2017 and 2016, and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Prior Period Adjustment

As discussed in Note A to the financial statements, the DLBA's management identified certain Neighborhood Stabilization Program demolition invoices that related to services provided prior to June 30, 2016 for which the revenue and corresponding receivable for reimbursement were not recognized in the financial statements as of, and for the year ended, June 30, 2016. The DLBA's net position and fund balances as of July 1, 2016 have been restated to correct this error retrospectively. Our opinions are not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and budgetary comparison on pages 30 through 32 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 6, 2017, on our consideration of the DLBA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 DLBA's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

DETROIT LAND BANK AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2017 and 2016

This section of the annual report of the Detroit Land Bank Authority (the "DLBA") presents management's discussion and analysis of the DLBA's financial performance during the fiscal years that ended on June 30, 2017 and 2016. Please read it in conjunction with the DLBA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The DLBA's purpose is to exercise the powers, duties, functions, and responsibilities of an authority under the Land Bank Act for the benefits of the City of Detroit (the "City") and the State of Michigan. The DLBA endeavors to carry out the powers, duties, functions, and responsibilities of an authority under the Land Bank Act consistent with the inter-governmental agreement including, but not limited to, the power, privilege, and authority to acquire, manage, and dispose of interests in property, and performing all other functions necessary or convenient to implement the purposes, objectives, and provisions of the Land Bank Act and the purposes, objectives, and powers delegated to a City authority under the laws or executive orders.

The DLBA experienced continued growth during the year ended June 30, 2017, with increased demolition activities funded by the Hardest Hit Blight program. Under this program, 1,889 properties were demolished during the year ended June 30, 2017, compared to 3,340 in the previous fiscal year. The DLBA's inventory of property increased to 97,185 parcels, compared to 95,286 as of the end of the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains two types of financial statements. The statements of net position and statements of activities (which are presented on pages 10 and 11) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and changes in fund balances for governmental funds (which are presented on pages 12, 13, 15, and 16) are considered fund financial statements. A further discussion of each type of statement follows.

Government-Wide Financial Statements

The government-wide financial statements report information about the DLBA as a whole using accounting methods similar to those used by private-sector companies and non-profit organizations. The statements of net position include all of the DLBA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the statements of activities, regardless of when cash is received or paid.

DETROIT LAND BANK AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2017 and 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (continued)

The two government-wide financial statements report the DLBA's net position and how they have changed. Net position represents the difference between the DLBA's total of assets and deferred outflows of resources and its total of liabilities and deferred inflows of resources, and it represents one way to measure the DLBA's financial health, or position. Over time, increases or decreases in the DLBA's net position are an indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

The fund financial statements provide more detailed information about the DLBA's funds, not the DLBA as a whole. Funds are accounting devices that the DLBA uses to keep track of specific sources of funding and spending for particular purposes.

Most of the DLBA's activities are included in governmental funds, which focus on how cash, and other financial assets that can be readily converted to cash, flow in and out, and show the balances left at the end of the year that are available for spending. As such, the fund financial statements provide a detailed short-term view that shows whether there are more or fewer financial resources that can be spent in the near future to finance the DLBA's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided on pages 14 and 17 that explains the relationship between the fund financial statements and the government-wide financial statements.

The notes to the financial statements, which begin on page 18, explain some of the information in the financial statements and provide more detailed data. A comparison of the DLBA's general fund revenue and expenditures to its budget is provided on pages 30 and 31.

DETROIT LAND BANK AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2017 and 2016

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Table 1 reflects a condensed summary of the DLBA's assets, liabilities, and net position as of June 30, 2017, 2016, and 2015:

Table 1
Statements of Net Position
June 30, 2017, 2016, and 2015
(in millions of dollars)

	2017	2016 (Restated)	2015
Assets:			
Cash	\$ 11.9	\$ 14.5	\$ 18.8
Accounts receivable	18.3	10.9	7.4
Property held for resale	24.5	22.8	21.7
Capital assets	0.2	0.4	0.4
Prepaid expenses	-0-	0.1	-0-
Total Assets	54.9	48.7	48.3
Liabilities:			
Accounts payable and accrued expenses	11.0	12.6	2.4
Deferred revenue	5.2	5.3	6.2
Advances and loans	18.5	13.5	21.5
Deposits	-0-	-0-	0.9
Total Liabilities	34.7	31.4	31.0
Net Position:			
Net investment in capital assets	0.2	0.4	0.4
Restricted	5.5	5.3	1.5
Unrestricted	14.5	11.6	15.4
Total Net Position	\$ 20.2	\$ 17.3	\$ 17.3

Total assets increased to \$54.9 million as of June 30, 2017 from \$48.7 million as of June 30, 2016. This increase was a result of revenue accruals earned for demolitions under the Hardest Hit Fund ("HHF") program.

DETROIT LAND BANK AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**June 30, 2017 and 2016****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Total liabilities increased to \$34.7 million as of June 30, 2017, compared to \$31.4 million as of June 30, 2016. This increase is due to an increase in the balance of the demolition advance funds from the City to support costs associated with demolition activities. This liability includes a \$6.5 million advance from the City used to support the non-HHF program expenses; this advance was subsequently forgiven on August 24, 2017. More details about this subsequent reclassification is disclosed in Note E to the financial statements.

Table 2 reflects a condensed summary of the DLBA's revenue, expenses, and changes in net position for the years ended June 30, 2017, 2016, and 2015:

Table 2
Statements of Activities
For the Years Ended June 30, 2017, 2016, and 2015
(in millions of dollars)

	<u>2017</u>	<u>2016 (Restated)</u>	<u>2015</u>
Revenue:			
Program revenue	\$ 67.0	\$ 81.3	\$ 65.7
General revenue	<u>-0-</u>	<u>(0.1)</u>	<u>-0-</u>
Total Revenue	67.0	81.2	65.7
Expenses:			
Land bank program	<u>64.1</u>	<u>81.2</u>	<u>56.6</u>
Net Increase in Net Position	2.9	-0-	9.1
Net Position, Beginning of Year	<u>17.3</u>	<u>17.3</u>	<u>8.2</u>
Net Position, End of Year	<u>\$ 20.2</u>	<u>\$ 17.3</u>	<u>\$ 17.3</u>

For the year ended June 30, 2017, the DLBA's general fund revenue on the modified accrual basis was \$60.1 million, compared to the budget of \$146.9 million. This was due primarily to the timing of revenue received by the HHF program. Total general fund expenses on the modified accrual basis were \$63.9 million, compared to the final budget of \$146.9 million.

DETROIT LAND BANK AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2017 and 2016

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Total revenue for the year ended June 30, 2017 on the accrual basis decreased to \$67.0 million from \$81.2 million in the previous year, primarily due to decreased demolition activities.

Total expenses for the year ended June 30, 2017 on the accrual basis decreased to \$64.1 million from \$81.2 million in the previous year, primarily due to decreased demolition activities.

CAPITAL ASSETS

As of June 30, 2016, the DLBA has \$538,815 invested in capital assets, including furniture, computers, software, and other equipment. Accumulated depreciation as of June 30, 2017 was \$334,397.

ECONOMIC FACTORS

The DLBA is dedicated to returning Detroit's vacant, abandoned, and foreclosed property to productive use. To meet this mission, there are four main divisions of the DLBA:

- Inventory division, which is responsible for acquiring, evaluating, and assessing the disposition of the property
- Demolition division, which manages all demolition activities
- Disposition division, which is responsible for disposing of the property through sales or donations
- Legal division, which is responsible for enforcing compliance with the City's Housing Regulations and representing the DLBA for all legal matters

The DLBA is demolishing and removing derelict structures, holding and maintaining property, and disposing of the property in conjunction with a development project or other appropriate use. Most transactions that remove a property from the DLBA's inventory generate revenue for the organization. Examples of these transactions include, but are not limited to, property sales, side lot sales, and special purpose projects.

As the opportunity arises, the DLBA will also execute federal, state, and local grants that have a public land component. The DLBA played a key role in implementing several rounds of the federally funded Neighborhood Stabilization Program ("NSP") in conjunction with the City and the Michigan State Housing Development Authority ("MSHDA"). In the coming years, the DLBA will continue to focus on activities through contracts with MSHDA.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2017 and 2016

ECONOMIC FACTORS (CONTINUED)

The DLBA will also continue to build relationships with the philanthropic community, seeking to attract foundation grant support to leverage public funds.

- HHF – In partnership with the Michigan Land Bank Authority, the DLBA received \$52.3 million during the year ended June 30, 2014 and, based on its efficient implementation, the DLBA received an additional \$5 million of HHF monies to demolish approximately 500 additional properties. During the year ended June 30, 2015, the DLBA was awarded another \$50 million to increase demolition of additional blighted structures. The DLBA was awarded an additional \$63.1 million during the year ended June 30, 2016. During the fiscal year ended June 30, 2017, MSHDA awarded \$88.1 million, plus an additional \$5 million.
- NSP Closeout – The DLBA fully expended all NSP 1 and NSP 2 grant funds in previous fiscal years, and NSP 3 grant funds were fully expended in the current fiscal year. The DLBA will continue to participate in closeout activities related to these properties, as needed.
- Public and Private Partnerships – The DLBA has formed partnerships with local organizations to implement a program providing newly rehabilitated homes in targeted neighborhoods of Detroit. The DLBA received grants of \$1.3 million supported by a loan of \$2 million to rehabilitate the housing and alleviate blight in the surrounding neighborhoods. The DLBA will also receive a loan loss reserve to fill any shortfalls in sales price versus rehabilitation costs. The outside organizations will rehabilitate the identified properties.
- Under Michigan law, the DLBA will receive 50 percent of the specific tax generated on all properties that are sold by the DLBA for five years succeeding the transfer of the property to private owners. The specific tax is equal to the ad valorem taxes that would be generated if the property were not exempt from ad valorem taxation. These funds will be received by the DLBA in the same manner and the same time that the City distributes current tax collections to all taxing jurisdictions for which it collects property taxes. The DLBA budget first realized this revenue source in May 2015.
- The DLBA will continue to market its ability to act as a City-wide development tool in areas that are deemed marketable, as well as to increase visibility to support commercial development investments and develop fee-based services, such as title cleansing. The DLBA's long-term strategy is to act as a resource in the City's neighborhood revitalization efforts, aligning its efforts with the City specifically on management of public land, extending relationships with philanthropy, and partnering with community groups to improve Detroit neighborhoods.

DETROIT LAND BANK AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2017 and 2016

FINANCIAL CONTACT

This financial report is designed to present its users with a general overview of the DLBA's finances and to demonstrate the DLBA's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer's office of the Detroit Land Bank Authority, 500 Griswold, Suite 1200, Detroit, Michigan 48226. Requests can also be made by telephone at (313) 974-6869.

DETROIT LAND BANK AUTHORITY

STATEMENTS OF NET POSITION

June 30, 2017 and 2016

	Governmental Activities	
	2017	2016 (Restated)
Assets:		
Cash (Note B):		
Unrestricted	\$ 6,361,212	\$ 9,218,221
Restricted	5,533,705	5,329,211
Total Cash	11,894,917	14,547,432
Accounts receivable (no allowance considered necessary)	18,252,688	10,940,538
Prepaid expenses	4,082	141,686
Property held for resale (Note A)	24,511,421	22,790,279
Capital assets (Note C):		
Depreciable capital assets, net	204,418	359,467
Total Assets	54,867,526	48,779,402
Liabilities:		
Accounts payable and accrued expenses	10,973,199	12,653,673
Deferred revenue (Note D)	5,161,873	5,256,180
Advances and loans (Note E)	18,500,000	13,500,000
Deposits	-0-	61,501
Total Liabilities	34,635,072	31,471,354
Net Position:		
Net investment in capital assets	204,418	359,467
Restricted	5,533,705	5,329,211
Unrestricted	14,494,331	11,619,370
Total Net Position	\$ 20,232,454	\$ 17,308,048

See notes to financial statements.

DETROIT LAND BANK AUTHORITY

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2017 and 2016

	Governmental Activities	
	2017	2016 (Restated)
Expenses:		
Land bank program:		
Demolition expenses	\$ 43,872,831	\$ 64,537,078
Salaries and wages	7,247,977	4,714,770
Payroll taxes	571,936	418,008
Employee benefits	1,122,680	655,084
Acquisition and maintenance	5,361,906	5,102,674
Board-ups and debris removal	2,598,137	3,160,078
Professional fees	1,243,714	774,485
Advertising	296,690	592,117
Occupancy	809,896	415,521
Office expenses	261,207	303,372
Insurance	69,484	46,243
Depreciation (Note C)	155,049	118,865
Other expenses	492,956	388,055
Total Program Expenses	64,104,463	81,226,350
Program Revenue:		
Land bank program:		
Hardest Hit Fund grant	36,711,066	53,115,665
Other grants and contracts	23,642,991	19,549,005
Donated properties	3,021,000	5,626,425
Structure sales	6,127,923	4,408,432
Side lot sales	519,843	657,748
Other program revenue	514,638	1,798,376
Gain (loss) on disposition of property held for resale	(3,508,592)	(3,864,638)
Total Program Revenue	67,028,869	81,291,013
Net Program Revenue	2,924,406	64,663
General Revenue:		
Gain (loss) on disposition of capital assets	-0-	(32,544)
Net Increase in Net Position	2,924,406	32,119
Net Position, Beginning of Year (Note A)	17,308,048	17,275,929
Net Position, End of Year	\$ 20,232,454	\$ 17,308,048

See notes to financial statements.

DETROIT LAND BANK AUTHORITY

BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2017 and 2016

	2017				2016 (Restated)			
	General Fund	Special Revenue Fund	Interfund Eliminations (Note A)	Total All Funds	General Fund	Special Revenue Fund	Interfund Eliminations (Note A)	Total All Funds
ASSETS								
Cash (Note B):								
Unrestricted	\$ 6,112,714	\$ 248,498	\$ -0-	\$ 6,361,212	\$ 8,906,703	\$ 311,518	\$ -0-	\$ 9,218,221
Restricted	5,533,705			5,533,705	5,329,211			5,329,211
Total Cash	11,646,419	248,498	-0-	11,894,917	14,235,914	311,518	-0-	14,547,432
Accounts receivable (no allowance considered necessary)	18,252,688			18,252,688	9,903,038	1,100,000	62,500	10,940,538
Prepaid expenditures	4,082			4,082	141,686			141,686
Property held for resale (Note A)	24,511,421			24,511,421	22,790,279			22,790,279
Total Assets	\$ 54,414,610	\$ 248,498	\$ -0-	\$ 54,663,108	\$ 47,070,917	\$ 1,411,518	\$ 62,500	\$ 48,419,935

See notes to financial statements.

DETROIT LAND BANK AUTHORITY

BALANCE SHEETS - GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2017 and 2016

	2017				2016 (Restated)			
	General Fund	Special Revenue Fund	Interfund Eliminations (Note A)	Total All Funds	General Fund	Special Revenue Fund	Interfund Eliminations (Note A)	Total All Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued expenses	\$ 10,973,199	\$ -0-	\$ -0-	\$ 10,973,199	\$ 12,653,673	\$ 62,500	\$ 62,500	\$ 12,653,673
Deferred revenue (Note D)	5,161,873			5,161,873	5,256,180			5,256,180
Advances and loans (Note E)	18,500,000			18,500,000	13,500,000			13,500,000
Deposits				-0-	61,501			61,501
Total Liabilities	34,635,072	-0-	-0-	34,635,072	31,471,354	62,500	62,500	31,471,354
Deferred Inflows of Resources:								
Unavailable revenue (Note D)	13,947,053			13,947,053	7,236,636			7,236,636
Total Liabilities and Deferred Inflows of Resources	48,582,125	-0-	-0-	48,582,125	38,707,990	62,500	62,500	38,707,990
Fund Balances:								
Nonspendable	24,515,503			24,515,503	22,931,965			22,931,965
Restricted	5,533,705	248,498		5,782,203	5,329,211	1,349,018		6,678,229
Unassigned	(24,216,723)			(24,216,723)	(19,898,249)			(19,898,249)
Total Fund Balances	5,832,485	248,498	-0-	6,080,983	8,362,927	1,349,018	-0-	9,711,945
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 54,414,610	\$ 248,498	\$ -0-	\$ 54,663,108	\$ 47,070,917	\$ 1,411,518	\$ 62,500	\$ 48,419,935

See notes to financial statements.

DETROIT LAND BANK AUTHORITY

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEETS TO
STATEMENTS OF NET POSITION**

June 30, 2017 and 2016

	<u>2017</u>	<u>2016 (Restated)</u>
Total Fund Balances, Governmental Funds	\$ 6,080,983	\$ 9,711,945
<p>Amounts reported for governmental activities in the statements of net position differ from amounts reported in the governmental funds balance sheets due to the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:</p>		
Depreciable capital assets:		
Cost	538,815	538,815
Less: Accumulated depreciation	(334,397)	(179,348)
<p>Certain revenue applicable to governmental activities is not available for use as of the end of the period and, therefore, is reported as a deferred inflow of resources in the funds. These amounts consist of the following:</p>		
Unavailable revenue	<u>13,947,053</u>	<u>7,236,636</u>
Total Net Position, Governmental Activities	<u>\$ 20,232,454</u>	<u>\$ 17,308,048</u>

See notes to financial statements.

DETROIT LAND BANK AUTHORITY

STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Years Ended June 30, 2017 and 2016

	2017			2016 (Restated)		
	General Fund	Special Revenue Fund	Total All Funds	General Fund	Special Revenue Fund	Total All Funds
Revenue:						
Hardest Hit Fund grant	\$ 33,035,533	\$ -0-	\$ 33,035,533	\$ 52,320,034	\$ -0-	\$ 52,320,034
Other grants and contracts	20,608,107		20,608,107	20,081,711		20,081,711
Donated properties	3,021,000		3,021,000	5,626,425		5,626,425
Structure sales	6,127,923		6,127,923	4,408,432		4,408,432
Side lot sales	519,843		519,843	657,748		657,748
Other revenue	329,423	185,215	514,638	636,542	1,161,834	1,798,376
Gain (loss) on disposition of property held for resale	(3,508,592)		(3,508,592)	(3,864,638)		(3,864,638)
Total Revenue	60,133,237	185,215	60,318,452	79,866,254	1,161,834	81,028,088
Expenditures:						
Current:						
Demolition expenses	43,872,831		43,872,831	64,537,078		64,537,078
Salaries and wages	7,247,977		7,247,977	4,714,770		4,714,770
Payroll taxes	571,936		571,936	418,008		418,008
Employee benefits	1,122,680		1,122,680	655,084		655,084
Acquisition and maintenance	5,361,906		5,361,906	5,102,674		5,102,674
Board-ups and debris removal	2,598,137		2,598,137	3,160,078		3,160,078
Professional fees	1,243,714		1,243,714	774,485		774,485
Advertising	296,690		296,690	592,117		592,117
Occupancy	809,896		809,896	415,521		415,521
Office expenses	261,207		261,207	303,372		303,372
Insurance	69,484		69,484	46,243		46,243
Other expenses	492,221	735	492,956	388,055		388,055
Capital outlay (Note C)			-0-	146,356		146,356
Total Expenditures	\$ 63,948,679	\$ 735	\$ 63,949,414	\$ 81,253,841	\$ -0-	\$ 81,253,841

See notes to financial statements.

DETROIT LAND BANK AUTHORITY

STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)

For the Years Ended June 30, 2017 and 2016

	2017			2016 (Restated)		
	General Fund	Special Revenue Fund	Total All Funds	General Fund	Special Revenue Fund	Total All Funds
Excess (Deficiency) of Revenue over Expenditures	\$ (3,815,442)	\$ 184,480	\$ (3,630,962)	\$ (1,387,587)	\$ 1,161,834	\$ (225,753)
Other Financing Sources (Uses):						
Interfund transfers	1,285,000	(1,285,000)	-0-	62,500	(62,500)	-0-
Net Increase (Decrease) in Fund Balances	(2,530,442)	(1,100,520)	(3,630,962)	(1,325,087)	1,099,334	(225,753)
Fund Balances, Beginning of Year (Note A)	8,362,927	1,349,018	9,711,945	9,688,014	249,684	9,937,698
Fund Balances, End of Year	\$ 5,832,485	\$ 248,498	\$ 6,080,983	\$ 8,362,927	\$ 1,349,018	\$ 9,711,945

See notes to financial statements.

DETROIT LAND BANK AUTHORITY

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENTS OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENTS OF
ACTIVITIES**

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u> <u>(Restated)</u>
Net Increase (Decrease) in Fund Balances, Governmental Funds	\$ (3,630,962)	\$ (225,753)
<p>Amounts reported for governmental activities in the statements of activities differ from amounts reported in the governmental funds statements of revenue, expenditures, and changes in fund balances due to the following:</p> <p>Capital outlays are reported as expenditures in governmental funds. However, in the statements of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense, and gains and losses on the disposition of capital assets are reported on the statements of activities. During the years presented, these amounts are as follows:</p>		
Capital outlay	-0-	146,356
Depreciation expense	(155,049)	(118,865)
Gain (loss) on disposition of capital assets	-0-	(32,544)
<p>Certain revenue reported in the statements of activities does not provide current financial resources and, therefore, is not reported as revenue in governmental funds. During the years presented, these amounts are as follows:</p>		
Unavailable revenue, end of year	13,947,053	7,236,636
Less: Unavailable revenue, beginning of year	<u>(7,236,636)</u>	<u>(6,973,711)</u>
Net Increase in Net Position, Governmental Activities	<u>\$ 2,924,406</u>	<u>\$ 32,119</u>

See notes to financial statements.

DETROIT LAND BANK AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Purpose

The Detroit Land Bank Authority (the “DLBA”) was created on February 18, 2009 as a Michigan Public Body Corporate. It was created through an inter-local agreement between the Michigan Land Bank Fast Track Authority and the City of Detroit (the “City”) for the purpose of administering land bank programs and functions in the City.

For financial reporting purposes, the DLBA is a component unit of the City because the majority of the members of the DLBA’s Board of Directors is appointed by the City’s mayor and is confirmed by the Detroit City Council, which approves the DLBA’s budget. There are no fiduciary funds included in the accompanying financial statements.

The DLBA has established the Detroit Land Bank Community Development Corporation (the “DLB CDC”). The DLB CDC is a legally separate, tax-exempt component unit of the DLBA. The DLBA has the power to appoint a majority of the DLB CDC’s directors, and the DLB CDC was created and operates exclusively to support the DLBA. As such, the financial activity of the DLBA CDC is included as part of the DLBA’s financial statements.

Basis of Presentation

The financial statements of the DLBA consist of government-wide financial statements, which include the statements of net position and statements of activities, and fund financial statements, which include the balance sheets and statements of revenue, expenditures, and changes in fund balances for governmental funds.

Government-Wide Financial Statements

The government-wide financial statements report information about all of the DLBA’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses. Deferred outflows of resources represent the consumption of net assets by the DLBA that is applicable to a future reporting period, while deferred inflows of resources represent the acquisition of net assets by the DLBA that is applicable to a future reporting period, and net position is the residual of all other elements presented in the statements of net position.

Fund Financial Statements

For purposes of the fund financial statements, the accounts of the DLBA are organized on the basis of governmental funds, each of which is considered a separate accounting entity.

DETROIT LAND BANK AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Fund Financial Statements (continued)

The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenue, and expenditures. The various funds are summarized by type in the fund financial statements. The following funds, all of which are considered major funds, are used by the DLBA:

General Fund

The general fund is the general operating fund of the DLBA. It is used to account for all financial resources other than those required to be accounted for in another fund.

Special Revenue Fund

The special revenue fund reflects the activities of the DLBA CDC. The primary activity of the DLBA CDC is to raise funds for the DLBA and to provide additional sources of operating income.

The DLBA's fund balances are classified as follows, based on the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable

These fund balances consist of amounts that are not in a spendable form (such as property held for resale, inventory, or prepaid expenditures) or that are required to be maintained intact.

Restricted

These fund balances consist of amounts that are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

DETROIT LAND BANK AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Committed

These fund balances consist of amounts that are constrained to specific purposes by the DLBA itself, using its highest level of decision-making authority, which is the Board of Directors. To be reported as committed, such amounts cannot be used for any other purpose unless the Board of Directors takes action to remove or change the constraint. The Board of Directors typically establishes (and modifies or rescinds) fund balance commitments by passage of a resolution, or through adoption and amendment of the budget.

Assigned

These fund balances consist of amounts that the DLBA intends to use for a specific purpose. Such intent can be expressed by the governing body, which is the Board of Directors, or by an official or body to which the Board of Directors delegates the authority, such as the DLBA's duly authorized agents. Assigned fund balances are typically established through adoption or amendment of the budget.

Unassigned

These fund balances consist of amounts that are available for any purpose. Only the general fund has a positive unassigned fund balance.

Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Accordingly, revenue is recorded when earned and expenses are recorded when incurred. Grants and other revenue intended for use in specific projects are classified as program revenue. All other revenue is classified as general revenue.

DETROIT LAND BANK AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

Fund Financial Statements

The fund financial statements are prepared on the modified accrual basis of accounting using the flow of current financial resources as a measurement focus. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual, which is when it is both measurable and available. “Available” means collectible within the current period or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred, if measurable. In applying the susceptible-to-accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Monies virtually unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements are reflected as revenue at the time of receipt, or earlier if the susceptible-to-accrual criteria are met.

Expenditures that are incurred for purposes for which both restricted and unrestricted fund balances are available are applied first to available restricted fund balances, then to unrestricted fund balances. Expenditures that are incurred for purposes for which committed, assigned, and unassigned fund balances are available are applied first to available committed fund balances, then to available assigned fund balances, and finally to unassigned fund balances.

Grant Revenue

Grant revenue is recognized when expenses that are reimbursable under an agreement with the funding source are incurred.

Receivables

All receivables are shown as net of an allowance for uncollectible amounts. All receivables are deemed by management to be fully collectible, so no allowance for uncollectible amounts has been recorded as of June 30, 2017 or 2016.

Capital Assets

Capital assets are defined by the DLBA 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.

DETROIT LAND BANK AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

Donated capital assets are recorded at their estimated fair value at the date of donation. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the related assets, which range from three to seven years.

Property Held for Resale

Real property inventory consists of properties and their associated costs. Properties are recorded at cost, which includes the purchase price plus all associated costs to get each property ready for sale, and are removed from inventory when title to each property transfers from the DLBA to the purchaser. The DLBA has 97,185 and 95,286 properties in inventory held for resale as of June 30, 2017 and 2016, respectively, with a cost of \$24,511,421 and \$22,790,279 as of June 30, 2017 and 2016, respectively.

Deferred Inflows of Resources

Deferred inflows of resources represent revenue that applies to a future period and are not considered to be available as of the financial statement date. Therefore, these amounts are not recognized as revenue in the fund financial statements until they become available.

Interfund Transactions and Eliminations

All interfund transactions and balances have been eliminated in the accompanying financial statements.

Fair Value Measurements

The DLBA uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The DLBA utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the DLBA applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

The measurement of fair value includes a hierarchy based on the quality of inputs used to measure fair value. Financial assets and liabilities are categorized into this three-level fair value hierarchy based on the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

DETROIT LAND BANK AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

The various levels of the fair value hierarchy are described as follows:

- Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the DLBA has the ability to access
- Level 2 - Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability
- Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

The use of observable market data, when available, is required in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

As of June 30, 2017 and 2016, the DLBA does not have any financial assets or liabilities subject to being classified in any of the above categories.

Concentration of Credit Risk

The DLBA received funding from the Michigan State Housing Development Authority (“MSHDA”) for the purpose of demolishing vacant and abandoned properties in the City. Such revenue received from MSHDA for the years ended June 30, 2017 and 2016 totaled \$38,211,685 and \$58,965,856, respectively, or 57 percent and 74 percent, respectively, of total revenue. The DLBA utilized two vendors during the year ended June 30, 2017 and three vendors during the year ended June 30, 2016 for purchases of \$12,005,601 and \$31,740,455, respectively, or 24 percent and 50 percent, respectively, of total purchases. A balance of \$135,710 and \$2,329,289 was due to these vendors as of June 30, 2017 and 2016, respectively.

DETROIT LAND BANK AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Period Adjustment

Certain Neighborhood Stabilization Program demolition invoices were identified that related to services provided prior to June 30, 2016. The expenditures and the corresponding liability were recognized, but the revenue and corresponding receivable for reimbursement from MSHDA were not recognized as of, and for the year ended, June 30, 2016, resulting in an understatement of \$1,534,265 in accounts receivable, unrestricted net position, the unassigned fund balance, and other grant and contract revenue. The financial statements as of June 30, 2016, and for the year then ended, have been restated to correct this error retrospectively.

The impact of this prior period adjustment as of June 30, 2016, and for the year then ended, on the DLBA's financial statements is as follows:

	Government-Wide Financial Statements		Fund Financial Statements	
	Restated	As Originally Reported	Restated	As Originally Reported
As of June 30, 2016:				
Accounts receivable	\$ 10,940,538	\$ 9,406,273	\$ 10,940,538	\$ 9,406,273
Unrestricted net position, end of year	11,619,370	15,414,316		
Unassigned fund balance, end of year			(19,898,249)	(16,103,303)
For the Year Ended June 30, 2016:				
Other grants and contracts	19,549,005	18,014,740	20,081,711	18,547,446

NOTE B - CASH DEPOSITS

State of Michigan (the "State") statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts be made with banks doing business, and having a place of business in the State that are also members of a federal or national insurance corporation.

Custodial credit risk is the risk that in the event of a bank failure, the DLBA's deposits may not be returned to the DLBA. The DLBA does not have a deposit policy for custodial credit risk.

DETROIT LAND BANK AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

NOTE B - CASH DEPOSITS (CONTINUED)

As of June 30, 2017 and 2016, the DLBA's carrying amounts of deposits and bank balances, and the bank balances that are not covered by federal depository insurance, are as follows:

	<u>2017</u>	<u>2016</u>
Carrying amount of deposits	\$ 11,894,917	\$ 14,547,432
Total bank balances	<u>\$ 12,809,868</u>	<u>\$ 16,363,564</u>
Uninsured and uncollateralized bank balances	<u>\$ 12,276,564</u>	<u>\$ 15,835,278</u>

NOTE C – CAPITAL ASSETS

Depreciable capital asset activity for the years ended June 30, 2017 and 2016 is as follows:

	<u>Furniture and Equipment</u>	<u>Computer and Telephone</u>	<u>Software</u>	<u>Total</u>
Cost:				
Balance, July 1, 2015	\$ 14,109	\$ 210,889	\$ 263,584	\$ 488,582
Acquisitions		16,454	129,902	146,356
Less: Dispositions	<u>(14,109)</u>	<u>(65,270)</u>	<u>(16,744)</u>	<u>(96,123)</u>
Balance, June 30, 2016	<u>-0-</u>	<u>162,073</u>	<u>376,742</u>	<u>538,815</u>
Balance, June 30, 2017	<u>\$ -0-</u>	<u>\$ 162,073</u>	<u>\$ 376,742</u>	<u>\$ 538,815</u>
Accumulated Depreciation:				
Balance, July 1, 2015	\$ 8,138	\$ 39,164	\$ 76,760	\$ 124,062
Depreciation expense	2,016	31,852	84,997	118,865
Less: Dispositions	<u>(10,154)</u>	<u>(4,509)</u>	<u>(48,916)</u>	<u>(63,579)</u>
Balance, June 30, 2016	<u>-0-</u>	<u>66,507</u>	<u>112,841</u>	<u>179,348</u>
Depreciation expense		<u>30,600</u>	<u>124,449</u>	<u>155,049</u>
Balance, June 30, 2017	<u>\$ -0-</u>	<u>\$ 97,107</u>	<u>\$ 237,290</u>	<u>\$ 334,397</u>
Net Depreciable Capital Assets:				
Balance, June 30, 2016	<u>\$ -0-</u>	<u>\$ 95,566</u>	<u>\$ 263,901</u>	<u>\$ 359,467</u>
Balance, June 30, 2017	<u>\$ -0-</u>	<u>\$ 64,966</u>	<u>\$ 139,452</u>	<u>\$ 204,418</u>

DETROIT LAND BANK AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

NOTE D – DEFERRED REVENUE AND DEFERRED INFLOWS OF RESOURCES

The DLBA had \$5,161,873 and \$5,256,180 as of June 30, 2017 and 2016, respectively, available under a number of grant agreements with funds originating from various foundations, corporations, and the City for activities involving the establishment of administrative operations related to the Nuisance Proceedings and Blight Abatement Programs, in addition to planning activities of the DLBA. These balances remained unutilized as of June 30, 2017 and 2016 and are recorded as deferred revenue.

The DLBA had a balance of \$13,947,053 and \$7,236,636 as of June 30, 2017 and 2016, respectively, primarily in MSHDA funding, for which expenses were incurred prior to the end of the fiscal year but for which reimbursement was not obtained until after the 60-day period described in Note A. Accordingly, these amounts are classified as deferred inflows of resources on the fund financial statements.

NOTE E – ADVANCES AND LOANS

The DLBA receives advances and loans to conduct operations that support the Hardest Hit Fund (“HHF”) and blight elimination until reimbursement is received from MSHDA or from other sources. They are as follows:

- An interest-free advance from the City to support the non-HHF programs
- A \$20,000,000 line of credit with the City to bridge funds needed for the HHF program until reimbursement is received from MSHDA
- A \$2,000,000 loan from an outside party to the DLBA to support blight operations

The outstanding balances on these advances and loans are as follows as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Due to City:		
Interest-free advance	\$ 6,500,000	\$ 6,500,000
Line of credit	<u>10,000,000</u>	<u>5,000,000</u>
Total Due to City	16,500,000	11,500,000
 Loans due to other parties	 <u>2,000,000</u>	 <u>2,000,000</u>
	<u>\$ 18,500,000</u>	<u>\$ 13,500,000</u>

DETROIT LAND BANK AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

NOTE E – ADVANCES AND LOANS (CONTINUED)

The interest-free advance from the City to support the non-HHF programs is \$6.5 million as of June 30, 2017. On August 24, 2017, the City notified the DLBA that the City approved treating the balance as an expense on the City's financial statements and would not require repayment. The reclassification of the advance as grant revenue for \$6.5 million will occur on the DLBA's financial statements during the fiscal year ending June 30, 2018.

NOTE F – LEASES

The DLBA leases office space and equipment under operating leases that expire at various dates through November 2020. Future minimum lease payments under these leases as of June 30, 2017 are as follows:

For the Years Ending June 30:	
2018	\$ 700,396
2019	23,043
2020	14,356
2021	<u>5,415</u>
Total Minimum Lease Payments	<u>\$ 743,210</u>

Rental expense under operating leases for the years ended June 30, 2017 and 2016 was \$424,653 and \$530,114, respectively.

NOTE G – TRANSACTIONS WITH DETROIT LAND BANK COMMUNITY DEVELOPMENT CORPORATION

As of June 30, 2016, the DLB CDC had a balance of \$62,500 due to the DLBA to support its operations. This amount is reflected as a receivable in the general fund and a payable in the special revenue fund.

Transfers from the DLB CDC to the DLBA to support the DLBA's operations are recorded as interfund transactions in the fund financial statements.

NOTE H - RISK MANAGEMENT

The DLBA has insurance policies covering its directors and officers. It also has general liability insurance and property insurance covering its various assets. Due to the extent of insurance that the DLBA maintains, the risk of loss to the DLBA, in management's opinion, is minimal.

DETROIT LAND BANK AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

NOTE I – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the general fund. All annual appropriations lapse at the end of the fiscal year.

Under the State's Uniform Budgeting and Accounting Act, actual expenditures for any budgeted expenditure category are not to exceed the amounts budgeted for that category. The Uniform Budgeting and Accounting Act permits governmental entities to amend their budgets during the year, and requires amended budgets to be approved by the governing body prior to expending funds in excess of the amount budgeted for that category.

During the year ended June 30, 2017, the DLBA incurred expenditures in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Salaries and wages	\$ 6,711,653	\$ 7,247,977	\$ (536,324)
Payroll taxes	523,440	571,936	(48,496)
Board-ups and debris removal	1,450,000	2,598,137	(1,148,137)
Professional fees	615,000	1,243,714	(628,714)
Insurance	17,000	69,484	(52,484)

Revenue was sufficient to cover the excess expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

DETROIT LAND BANK AUTHORITY

SCHEDULES OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL –GENERAL FUND (UNAUDITED)

For the Years Ended June 30, 2017 and 2016

	2017				2016			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual (Restated)	Positive (Negative) Variance with Final Budget
Revenue:								
Hardest Hit Fund grant	\$ 123,632,205	\$ 123,632,205	\$ 33,035,533	\$ (90,596,672)	\$ 67,489,975	\$ 68,138,281	\$ 52,320,034	\$ (15,818,247)
Other grants and contracts	11,416,984	11,416,984	20,608,107	9,191,123	15,055,197	25,817,657	20,081,711	(5,735,946)
Donated properties			3,021,000	3,021,000			5,626,425	5,626,425
Structure sales	8,968,250	8,968,250	6,127,923	(2,840,327)	3,041,000	5,617,348	4,408,432	(1,208,916)
Side lot sales	100,000	100,000	519,843	419,843	150,000	235,608	657,748	422,140
Other revenue	2,802,000	2,802,000	329,423	(2,472,577)	347,375	990,526	636,542	(353,984)
Gain (loss) on disposition of property held for resale			(3,508,592)	(3,508,592)			(3,864,638)	(3,864,638)
Total Revenue	146,919,439	146,919,439	60,133,237	(86,786,202)	86,083,547	100,799,420	79,866,254	(20,933,166)
Expenditures:								
Current:								
Demolition expenses	118,522,875	118,522,875	43,872,831	74,650,044	59,577,540	71,268,288	64,537,078	6,731,210
Salaries and wages	6,711,653	6,711,653	7,247,977	(536,324)	4,943,660	4,828,835	4,714,770	114,065
Payroll taxes	523,440	523,440	571,936	(48,496)	388,190	379,406	418,008	(38,602)
Employee benefits	1,756,083	1,756,083	1,122,680	633,403	1,269,593	1,371,361	655,084	716,277
Acquisition and maintenance	14,823,885	14,823,885	5,361,906	9,461,979	7,680,445	10,448,182	5,102,674	5,345,508
Board-ups and debris removal	1,450,000	1,450,000	2,598,137	(1,148,137)	2,150,000	2,050,000	3,160,078	(1,110,078)
Professional fees	615,000	615,000	1,243,714	(628,714)	512,800	625,000	774,485	(149,485)
Advertising	450,000	450,000	296,690	153,310	450,000	450,000	592,117	(142,117)
Occupancy	824,003	824,003	809,896	14,107	793,041	794,241	415,521	378,720
Office expenses	657,000	657,000	261,207	395,793	540,000	748,000	303,372	444,628
Insurance	17,000	17,000	69,484	(52,484)	17,000	17,000	46,243	(29,243)
Other expenses	538,500	538,500	492,221	46,279			388,055	(388,055)
Capital outlay				-0-			146,356	(146,356)
Total Expenditures	\$ 146,889,439	\$ 146,889,439	\$ 63,948,679	\$ 82,940,760	\$ 78,322,269	\$ 92,980,313	\$ 81,253,841	\$ 11,726,472

See note to schedules of revenue and expenditures - budget and actual (general fund).

DETROIT LAND BANK AUTHORITY

SCHEDULES OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL –GENERAL FUND (UNAUDITED) (CONTINUED)

For the Years Ended June 30, 2017 and 2016

	2017				2016			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual (Restated)	Positive (Negative) Variance with Final Budget
Excess (Deficiency) of Revenue over Expenditures	\$ 30,000	\$ 30,000	\$ (3,815,442)	\$ (3,845,442)	\$ 7,761,278	\$ 7,819,107	\$ (1,387,587)	\$ (9,206,694)
Other Financing Sources:								
Interfund transfers			1,285,000	1,285,000			62,500	62,500
Net Increase (Decrease) in Fund Balance	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ (2,530,442)</u>	<u>\$ (2,560,442)</u>	<u>\$ 7,761,278</u>	<u>\$ 7,819,107</u>	<u>\$ (1,325,087)</u>	<u>\$ (9,144,194)</u>

See note to schedules of revenue and expenditures - budget and actual (general fund).

DETROIT LAND BANK AUTHORITY

**NOTE TO SCHEDULES OF REVENUE AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)**

For the Years Ended June 30, 2017 and 2016

NOTE A - BUDGETS AND BUDGETARY ACCOUNTING

The Detroit Land Bank Authority (the “DLBA”) establishes a budget that is reflected in the financial statements for the general fund. The budget is presented on the modified accrual basis of accounting.

Budgeted amounts are as presented and approved by the DLBA’s Board of Directors. Appropriations are authorized by the DLBA’s management. Unexpended appropriations lapse at the end of the fiscal year.

Appendix 4: Schedule of Expenditures of Federal Awards and Related Audit Reports for Year Ended June 30, 2017

DETROIT LAND BANK AUTHORITY
(A Component Unit of the City of Detroit, Michigan)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND RELATED AUDIT REPORTS

For the Year Ended June 30, 2017

DETROIT LAND BANK AUTHORITY

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

November 6, 2017

To the Board of Directors
Detroit Land Bank Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Detroit Land Bank Authority (the "DLBA"), as of, and for the year ended, June 30, 2017, and the related notes to the financial statements, which collectively comprise the DLBA's basic financial statements, and have issued our report thereon dated November 6, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the DLBA'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 DLBA's internal control. Accordingly, we do not express an opinion on the effectiveness of the DLBA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the DLBA's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
(CONTINUED)**

Internal Control over Financial Reporting (continued)

We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DLBA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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 DLBA'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 DLBA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

November 6, 2017

To the Board of Directors
Detroit Land Bank Authority

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Detroit Land Bank Authority (the "DLBA") with the types of compliance requirements described in the *U.S. Office of Management and Budget Compliance Supplement* that could have a direct and material effect on each of the DLBA's major federal programs for the year ended June 30, 2017. The DLBA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The DLBA's management is responsible for compliance with federal statutes, regulations, and the terms and conditions of the DLBA's federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the DLBA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Report on Compliance for Each Major Federal Program (continued)

Auditor's Responsibility (continued)

An audit includes examining, on a test basis, evidence about the DLBA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the DLBA's compliance.

Opinion on Each Major Federal Program

In our opinion, the DLBA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

The DLBA's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the DLBA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the DLBA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Report on Internal Control over Compliance (continued)

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and each major fund of the DLBA as of, and for the year ended, June 30, 2017, as well as the related notes to the financial statements, which collectively comprise the DLBA's basic financial statements. We issued our report thereon dated November 6, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**Report on Schedule of Expenditures of Federal Awards Required
by the Uniform Guidance (continued)**

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

George Johnson & Company

CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

DETROIT LAND BANK AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America

Unmodified

Internal control over financial reporting:

- | | | | | |
|--|-----------------|-----|-----------------|---------------|
| • Material weaknesses identified? | <u> </u> | Yes | <u> X </u> | No |
| • Significant deficiencies identified? | <u> X </u> | Yes | <u> </u> | None reported |

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

- | | | | | |
|--|-----------------|-----|--------------|---------------|
| • Material weaknesses identified? | <u> </u> | Yes | <u> X </u> | No |
| • Significant deficiencies identified? | <u> </u> | Yes | <u> X </u> | None reported |

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes X No

Identification of major federal programs:

CFDA Number

Name of Federal Program or Cluster

14.256

Neighborhood Stabilization Program 2 Grant

Dollar threshold used to distinguish between Type A and Type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

 Yes X No

DETROIT LAND BANK AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2017

FINANCIAL STATEMENT AUDIT FINDINGS

Significant Deficiencies

2017-001. *Condition and Context:* During the year ended June 30, 2017, the management of the Detroit Land Bank Authority (the "DLBA") identified and recorded reimbursements for certain Neighborhood Stabilization Program demolition invoices that related to services provided prior to June 30, 2016. The expenditures and the corresponding liability were recognized, but the revenue and corresponding receivable were not recognized, as of, and for the year ended, June 30, 2016, resulting in an understatement in accounts receivable and equity as of June 30, 2016.

Criteria: Revenue should be recognized in the period earned, which is when the services are performed.

Effect: A net material audit adjustment for approximately \$1.5 million was recorded both to equity as of June 30, 2016 and to revenue during the year ended June 30, 2017, resulting in a restatement of the financial statements as of, and for the year ended, June 30, 2016.

Cause: During the year ended June 30, 2016, the members of the DLBA's management during that time did not include preparation or review of year-end accruals as part of the standard year-end closing procedures. The DLBA's current management identified the unrecorded revenue by recording the receivable, but adjusted revenue for the current year instead of adjusting the beginning equity balance.

Recommendation: The DLBA's management should enhance its written policies and procedures to include a review and adjustment of all accruals during the year.

Management's Response: During the year ended June 30, 2017, the DLBA's Finance Department implemented a series of key internal controls that are documented and included in the Accounting Manual. One significant monthly key control was that balance sheet accounts are reconciled. A second key control was the reconciliation of the Neighborhood Stabilization Program. By way of these key controls being implemented, the accrual of the receivable relating to services provided during the year ended June 30, 2016 was identified and recorded during the year ended June 30, 2017. In the future, treatment of prior period adjustments will be discussed and reviewed with the external auditors to agree with materiality threshold for financial statement presentation purposes.

DETROIT LAND BANK AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2017

MAJOR FEDERAL AWARD PROGRAM AUDIT FINDINGS AND QUESTIONED COSTS

None

DETROIT LAND BANK AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Passed through Michigan State Housing Development Authority:			
Neighborhood Stabilization Program			
2 Grant	14.256	NS2-2014-6322-NPI	\$ 1,790,805
Total Federal Expenditures			\$ 1,790,805

See notes to schedule of expenditures of federal awards.

DETROIT LAND BANK AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs of the Detroit Land Bank Authority (the "DLBA"). Federal awards received directly from federal agencies, as well as federal awards passed through other agencies, are included on this schedule.

Basis of Presentation

The information in the accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because this schedule presents only a selected portion of the DLBA's operations, it is not intended to, and does not, present the financial position or changes in financial position of the DLBA.

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, in which certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE B - INDIRECT COST RATE

The DLBA has elected to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

No federal awards were passed through to subrecipients during the year ended June 30, 2017.

DETROIT LAND BANK AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2017

Finding No. 2016-001

Condition: Management identified material adjustments needed during audit field work to correct the balance of properties held for resale as of both June 30, 2016 and June 30, 2015. Property status updates and valuation, although monitored, were not reconciled to the general ledger until after the year ended June 30, 2016. As a result, some demolished properties were overstated in the properties held for resale balance as of June 30, 2015, and losses on demolished properties were not timely reflected.

Recommendation: The DLBA's management should enhance written policies and procedures to accurately track the changes in properties held for resale. These procedures should include systematic monitoring.

Current Status: No similar adjustments to properties held for resale were identified during the audit for the year ended June 30, 2017.

Finding No. 2016-002

Condition: During our testing of accounts payable, we identified various expenses that were incurred but not accrued as of June 30, 2016. This prompted the DLBA's management to review the expenses more closely, which resulted in material audit adjustments to accrued expenses, grants receivable, and deferred revenue.

Recommendation: The DLBA's written year-end closing procedures should include a review and adjustment of all accruals.

Current Status: The DLBA has incorporated an accrual review process as part of its year-end closing procedures. However, in executing this process for the year ended June 30, 2017, a significant unrecorded receivable as of June 30, 2016 was identified by management and recorded as revenue for the year ended June 30, 2017. This resulted in a material audit adjustment to restate the financial statements as of, and for the year ended June 30, 2016, as described in finding no. 2017-001.

DETROIT LAND BANK AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

For the Year Ended June 30, 2017

Finding No. 2016-003

Neighborhood Stabilization Program 2 Grant - CFDA No. 14.256

Condition: We noted that monthly Financial Status Reports were not filed based on the Neighborhood Stabilization Program 2 ("NSP2") guidelines until April 2016.

Recommendation: Management should track all eligible federal expenditures monthly and file Financial Status Reports on a timely basis.

Current Status: No similar instances of noncompliance were identified during the audit for the year ended June 30, 2017.

Finding No. 2016-004

Neighborhood Stabilization Program 2 Grant - CFDA No. 14.256

Condition: Management did not include payroll expenses in the two monthly Financial Status Reports that were filed. When the DLBA's management summarized the eligible payroll expenses, we noted that the timesheets used for calculating the employee hours were not designed to capture the detail of which NSP2 properties were served.

Recommendation: Management should modify the timesheets so that hours worked and the properties served are documented.

Current Status: No similar instances of noncompliance were identified during the audit for the year ended June 30, 2017.



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CORRECTIVE ACTION PLAN

November 6, 2017

Detroit Land Bank Authority ("DLBA") respectfully submits the following corrective action plan for the year ended June 30, 2017.

Name and address of independent public accounting firm:

George Johnson & Company
1200 Buhl Building
535 Griswold
Detroit, Michigan 48226-3689

Audit period: July 1, 2016 – June 30, 2017

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiencies

2017 – 001. *Condition and Context:* During the year ended June 30, 2017, the management of the Detroit Land Bank Authority (the "DLBA") identified and recorded reimbursements for certain Neighborhood Stabilization Program demolition invoices that related to services provided prior to June 30, 2016. The expenditures and the corresponding liability were recognized, but the revenue and corresponding receivable were not recognized, as of, and for the year ended, June 30, 2016, resulting in an understatement in accounts receivable and equity as of June 30, 2016.

Criteria: Revenue should be recognized in the period earned, which is when the services are performed.

Effect: A net material audit adjustment for approximately \$1.5 million was recorded both to equity as of June 30, 2016 and to revenue during the year ended June 30, 2017, resulting in a restatement of the financial statements as of, and for the year ended, June 30, 2016.

Cause: During the year ended June 30, 2016, the members of the DLBA's management during that time did not include preparation or review of year-end accruals as part of the standard year-end closing procedures. The DLBA's current management identified the unrecorded revenue by recording the receivable, but adjusted revenue for the current year instead of adjusting the beginning equity balance.

Recommendation: The DLBA's management should enhance its written policies and procedures to include a review and adjustment of all accruals during the year.

Management's Response: During the year ended June 30, 2017, the DLBA's Finance Department implemented a series of key internal controls that are documented and included in the Accounting Manual. One significant monthly key control was that balance sheet accounts are reconciled. A second key control was the reconciliation of the Neighborhood Stabilization Program. By way of these key controls being implemented, the accrual of the receivable relating to services provided during the year ended June 30, 2016 was identified and recorded during the year ended June 30, 2017. In the future, treatment of prior period adjustments will be discussed and reviewed with the external auditors to agree with materiality threshold for financial statement presentation purposes.

Sincerely,
Detroit Land Bank Authority

 11-6-17
Erica Ward-Gerson
Board Chair

 11.6.17
Irene Tucker
Chief Financial Officer

Appendix 5: Community Partners and Projects Spotlight

555 Nonprofit Studio/Gallery

Concept: Art park and home for artists-in-residence

Expected completion: Summer 2018

Location: 5013-5045 Mitchell



Detroit Shipping Company

Concept: 21st Century Food Hall and Biergarten in the Cass Corridor

Expected Completion: Spring/Summer 2018

Location: 460, 474, and 468 Peterboro



Henry Glover House Project

Concept: Historic Renovation/Multifamily Housing in Brush Park

Expected Completion: 2019

Location: 229 Edmund Place



Lil Clint's Mini Mart

Concept: Renovation of a blighted garage at E Warren and Baldwin into a neighborhood convenience store

Expected Opening: Winter 2018

Location: 5001 and 5009 Baldwin



Karasi Development

Concept: Mixed use renovation of an historic home to be used as a neighborhood cultural center and office space.

Expected Completion: 2018

Location: 1741 Atkinson



Acre Farm – Phase I

Concept: An urban farm in the core city that sells produce to Detroit restaurants and the Corktown Farmers Market

Expected Completion: Closed July 2017 and Completed September 2017

Location: 7 lots on Humbolt and Buchanan

