

**MONROE COUNTY
BUILDING AUTHORITY**

Basic Financial Statements

For The Year Ended December 31, 2006



REHMANN ROBSON

Certified Public Accountants

MONROE COUNTY BUILDING AUTHORITY

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
 BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006	
Statement of Net Assets and Governmental Funds Balance Sheet.....	2
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances	3
Notes to Basic Financial Statements	4-9

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INDEPENDENT AUDITORS' REPORT

May 30, 2007

To the Commissioners of the
Monroe County Building Authority Board
Monroe, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the *Monroe County Building Authority, a component unit of Monroe County*, as of and for the year ended December 31, 2006, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Monroe County Building Authority. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Monroe County Building Authority as of December 31, 2006, and the respective changes in its financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

BASIC FINANCIAL STATEMENTS

MONROE COUNTY BUILDING AUTHORITY
Statement of Net Assets and
Governmental Funds Balance Sheet
December 31, 2006

	Debt Service Funds			Capital		Total Governmental Funds	Adjustments	Statement of Net Assets
	Law Enforcement	County Facilities	Library Renovation	M-50 Health Building	Projects Fund County Facilities			
Assets								
Cash and cash equivalents	\$ -	\$ 890,307	\$ 256	\$ -	\$ 261,708	\$ 1,152,271	\$ -	\$ 1,152,271
Leases receivable	-	-	-	-	-	-	5,542,585	5,542,585
Total assets	\$ -	\$ 890,307	\$ 256	\$ -	\$ 261,708	\$ 1,152,271	5,542,585	6,694,856
Liabilities								
Accrued interest payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,585	\$ 57,585
Long-term liabilities:								
Due within one year	-	-	-	-	-	-	340,000	340,000
Due in more than one year	-	-	-	-	-	-	5,145,000	5,145,000
Total liabilities	-	-	-	-	-	-	5,542,585	5,542,585
Fund balances								
Unreserved, undesignated	-	890,307	256	-	261,708	1,152,271	(1,152,271)	-
Total liabilities and fund balances	\$ -	\$ 890,307	\$ 256	\$ -	\$ 261,708	\$ 1,152,271		
Net assets								
Restricted for debt service							890,563	890,563
Restricted for construction							261,708	261,708
Total net assets							\$ 1,152,271	\$ 1,152,271

The accompanying notes are an integral part of these financial statements.

MONROE COUNTY BUILDING AUTHORITY
Statement of Activities and
Governmental Funds Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2006

	Debt Service Funds			Capital Projects Fund		Total Governmental Funds	Adjustments	Statement of Activities
	Law Enforcement	County Facilities	Library Renovation	M-50 Health Building	County Facilities			
Revenues								
Interest and rental income	\$ 1,167	\$ 7,659	\$ 518,125	\$ 10,953	\$ 68,118	\$ 606,022	\$ (1,169,148)	\$ (563,126)
Expenditures / expenses								
Debt service:								
Principal	610,000	325,000	500,000	175,000	-	1,610,000	(1,610,000)	-
Interest and fiscal charges	16,300	240,440	18,125	5,688	-	280,553	(20,393)	260,160
Total expenditures / expenses	626,300	565,440	518,125	180,688	-	1,890,553	(1,630,393)	260,160
Revenues over (under) expenditures	(625,133)	(557,781)	-	(169,735)	68,118	(1,284,531)	461,245	(823,286)
Other financing sources (uses)								
Transfers from Monroe County	625,250	1,446,248	-	112,900	-	2,184,398	(2,184,398)	-
Transfers to Monroe County	(15,678)	-	-	(7,475)	(1,700,000)	(1,723,153)	1,723,153	-
Total other financing sources (uses)	609,572	1,446,248	-	105,425	(1,700,000)	461,245	(461,245)	-
Net change in fund balances	(15,561)	888,467	-	(64,310)	(1,631,882)	(823,286)	823,286	-
Change in net assets	-	-	-	-	-	-	(823,286)	(823,286)
Fund balances / net assets								
Beginning of year	15,561	1,840	256	64,310	1,893,590	1,975,557	-	1,975,557
End of year	\$ -	\$ 890,307	\$ 256	\$ -	\$ 261,708	\$ 1,152,271	\$ -	\$ 1,152,271

The accompanying notes are an integral part of these financial statements.

MONROE COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Monroe County Building Authority (the “Authority”) was established on February 13, 1972 pursuant to Public Act 31 of 1948. The Authority is governed by a 5-member board appointed by the Monroe County Board of Commissioners for 6-year terms. The purpose of the Authority is to finance and construct the County’s public buildings. The Authority enters into various lease agreements with Monroe County (the “County”) covering buildings constructed by the Authority (*see Note 3*).

Reporting Entity – These financial statements present the financial position and the results of operations of a blended component unit of the County and are an integral part of that reporting entity.

Authority-wide and Fund Financial Statements – As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined authority-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to authority-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The authority-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

MONROE COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

The Authority reports the following major governmental funds:

Debt Service Funds:

Law Enforcement	(1994 bond issue)
County Facilities	(1998B bond issue)
Library Renovation	(1998 bond issue)
M-50 Health Building	(1990 bond issue)

Capital Projects Fund –
County Facilities

Debt service funds account for the accumulation of resources for, and the payment of, interest and principal on bonded debt.

Capital projects funds account for the use of resources, primarily bond proceeds, in constructing or acquiring capital assets, including buildings.

As a general rule the effect of interfund activity, if any, has been eliminated from the authority-wide financial statements.

Cash and Cash Equivalents – The Authority’s cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three months or less from the date of acquisition. State statutes authorize local governments to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations.

Long-term Obligations – In the authority-wide financial statements, long-term debt is reported as a liability. Bond discounts, premiums, issuance costs and refunding losses, if any, are deferred and amortized over the life of the applicable bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount, premium and deferred loss, if any. Bond issuance costs, if any, are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Discounts or premiums on debt issuances are reported as other financing uses or sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

MONROE COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

2. DEPOSITS

At year-end, the carrying amount of the Authority's deposits was \$1,152,271 and the bank balance was \$1,141,596. Of the bank balance, \$941,596 was uninsured and uncollateralized.

3. LEASES RECEIVABLE

The Authority has entered into various lease agreements with the County for buildings acquired or constructed by the Authority. These agreements generally terminate with the retirement of the related bond issues. Leases receivable are reported at an amount equal to the lesser of the actual bond-financed construction costs incurred to date or the outstanding bond principal (plus accrued interest). Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to the County.

Under the accrual basis of accounting and the provisions of FASB (Financial Accounting Standards Board) Statement No. 13, *Accounting for Leases*, the Authority's leases are classified as sales leases. As a result, leases receivable are recognized in the accompanying statement of net assets, whereas capital assets are not.

All lease agreements provide for the lessee to use, operate and maintain the property, at its own expense, subject to the terms and conditions of the agreements.

MONROE COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

4. LONG-TERM DEBT

Following is a summary of the Authority's debt outstanding as of December 31, 2006:

	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Outstanding Principal</u>
General Obligation Limited Tax Bonds			
1998B Building Authority	4.0-6.0%	2018	\$ 5,485,000

Annual debt service requirements to maturity for the Authority's debt are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 340,000	\$ 220,140
2008	360,000	200,670
2009	375,000	183,900
2010	395,000	168,500
2011	415,000	152,300
2012-2016	2,430,000	487,400
2017-2018	1,170,000	47,400
Total	\$ 5,485,000	\$ 1,460,310

Changes in Long-Term Debt. Long-term liability activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation limited tax bonds	\$ 7,095,000	\$ -	\$(1,610,000)	\$ 5,485,000	\$ 340,000

MONROE COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

5. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental funds balance sheet and the authority-wide statement of net assets, which reconciles fund balances to net assets:

Fund balances	\$ 1,152,271
Adjustments:	
Leases receivable are not <i>current financial resources</i> and therefore are not reported in the governmental funds	5,542,585
Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	(5,485,000)
Accrued interest payable on bonds is not recorded by governmental funds	<u>(57,585)</u>
Net assets	<u><u>\$ 1,152,271</u></u>

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the authority-wide statement of activities, which reconciles the net change in fund balances to the change in net assets:

MONROE COUNTY BUILDING AUTHORITY

Notes To Basic Financial Statements

Net change in fund balances \$ 823,286

Adjustments:

Amounts received for the payment of certain bond principal and interest is recorded in the funds as other financing sources. For the statement of activities, the other financing sources are eliminated with that portion of the receipts that pertain to bond interest being recognized as rental revenues.

Rental revenues	(1,169,148)
Transfers from Monroe County	(2,184,398)
Transfers to Monroe County	1,723,153

Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities for <i>net assets</i>	1,610,000
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Accrued interest expense on bonds are not recorded by governmental funds but are reported for purposes of <i>net assets</i>	<u>20,393</u>
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Change in net assets \$ 823,286

6. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. During the year ended December 31, 2006, the Authority participated under the County's membership in the Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool serving various local governments in Michigan. Further information regarding the County's participation in MMRMA is presented in the County's comprehensive annual financial report.

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