

# Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended .

Unit Name	Berrien County Building Authority	County	BERRIEN	Type	COUNTY	MuniCode	110000
Opinion Date	June 30, 2008	Audit Submitted	June 30, 2008	Fiscal Year	December 31, 2007		

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

**Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".**

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies?
<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="\$1,319,242"/>
General Fund Expenditure:	<input type="text" value="\$1,607,895"/>
Major Fund Deficit Amount:	<input type="text"/>

General Fund Balance:	<input type="text" value="\$428,697"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text" value="\$9,650,000"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Stephen W.	Last Name	Blann	Ten Digit License Number	1101024801				
CPA Street Address	2330 East Paris Ave. SE	City	Grand Rapids	State	MI	Zip Code	49549	Telephone	(616) 975-4100
CPA Firm Name	Rehmann Robson	Unit's Street Address	701 Main Street	City	St. Joseph, MI		Zip Code	49085	

# **BERRIEN COUNTY BUILDING AUTHORITY**



## **Basic Financial Statements**

**For the Year Ended December 31, 2007**



**REHMANN ROBSON**

*Certified Public Accountants*

# BERRIEN COUNTY BUILDING AUTHORITY

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

## INDEPENDENT AUDITORS' REPORT

June 30, 2008

To the Commissioners of the  
Berrien County Building Authority Board  
St. Joseph, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the **Berrien County Building Authority, a component unit of Berrien County**, as of and for the year ended December 31, 2007, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Berrien 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 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 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 Berrien County Building Authority as of December 31, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2008, on our consideration of the County of Berrien, Michigan's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Authority has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

**BASIC  
FINANCIAL STATEMENTS**

**BERRIEN COUNTY BUILDING AUTHORITY**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**December 31, 2007**

	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 3,136	\$ 3,136	\$ -	\$ 3,136
Investments	-	425,561	425,561	-	425,561
Leases receivable	9,350,949	-	9,350,949	-	9,350,949
<b>Total assets</b>	<b>\$ 9,350,949</b>	<b>\$ 428,697</b>	<b>\$ 9,779,646</b>	<b>-</b>	<b>9,779,646</b>
<b>Liabilities</b>					
Accrued interest payable	\$ -	\$ -	\$ -	129,646	129,646
Deferred revenue	9,350,949	-	9,350,949	(9,350,949)	-
Long-term liabilities:					
Due in one year	-	-	-	875,000	875,000
Due in more than one year	-	-	-	8,775,000	8,775,000
<b>Total liabilities</b>	<b>9,350,949</b>	<b>-</b>	<b>9,350,949</b>	<b>428,697</b>	<b>9,779,646</b>
<b>Fund balances</b>					
Unreserved, undesignated	-	428,697	428,697	(428,697)	-
<b>Total liabilities and fund balances</b>	<b>\$ 9,350,949</b>	<b>\$ 428,697</b>	<b>\$ 9,779,646</b>		
<b>Net assets</b>					
Unrestricted				<u>\$ -</u>	<u>\$ -</u>

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

**BERRIEN COUNTY BUILDING AUTHORITY**  
**Statement of Activities and**  
**Governmental Funds Revenue, Expenditures**  
**and Changes in Fund Balances**  
**For the Year Ended December 31, 2007**

	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenue</b>					
Intergovernmental	\$ 1,294,563	\$ -	\$ 1,294,563	\$ (889,637)	\$ 404,926
Interest revenue	-	24,679	24,679	-	24,679
<b>Total revenue</b>	<b>1,294,563</b>	<b>24,679</b>	<b>1,319,242</b>	<b>(889,637)</b>	<b>429,605</b>
<b>Expenditures / expenses</b>					
Public works	-	313,332	313,332	(313,332)	-
Debt service:					
Principal	875,000	-	875,000	(875,000)	-
Interest and fiscal charges	419,563	-	419,563	10,042	429,605
<b>Total expenditures / expenses</b>	<b>1,294,563</b>	<b>313,332</b>	<b>1,607,895</b>	<b>(1,178,290)</b>	<b>429,605</b>
Change in fund balances / net assets	-	(288,653)	(288,653)	288,653	-
<b>Fund balances / net assets</b>					
Beginning of year	-	717,350	717,350	(717,350)	-
<b>End of year</b>	<b>\$ -</b>	<b>\$ 428,697</b>	<b>\$ 428,697</b>	<b>\$ (428,697)</b>	<b>\$ -</b>

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

# BERRIEN COUNTY BUILDING AUTHORITY

## Notes To Basic Financial Statements

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Berrien County Building Authority (the “Authority”) was incorporated under the authority of Act 31, Public Act of Michigan, as amended. The purpose of the Authority is to acquire, furnish, renovate, construct and maintain buildings and other facilities for the use of the County.

**Reporting Entity** - These financial statements represent the financial position and the changes in financial position of a blended component unit of Berrien County (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 Revenue, 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.

The Authority reports the following major governmental funds:

**Debt Service Fund** - This fund accounts for the accumulation of resources for, and the payment of, interest and principal on bonded debt.

**Capital Projects Fund** - This fund accounts for the use of financial resources segregated for the construction/renovation of major capital facilities.



# BERRIEN COUNTY BUILDING AUTHORITY

## Notes To Basic Financial Statements

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**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.

### 2. CASH AND INVESTMENTS

At year end, the carrying amount of the Building Authority’s deposits and investments were \$3,136 and \$425,561, respectively. Cash categorizations are included in the County’s basic financial statements to give an indication of the level of risk assumed by the County at year-end. It is not feasible to allocate the level of risk to the various component units of the County.

### 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.

# BERRIEN COUNTY BUILDING AUTHORITY

## Notes To Basic Financial Statements

### 4. LONG-TERM OBLIGATIONS

The Building Authority has issued general obligation bonds to finance the construction or purchase of facilities. Such bonds are to be repaid from rental payments by the County. The Authority has pledged its full faith and credit for payment on the general obligation bonds.

The Building Authority has the following bond issues outstanding:

	<u>Due</u>	<u>Installments</u>	<u>Interest Rate</u>	<u>Amount</u>
2002 Berrien County Building Authority	2015	\$575,000 - \$900,000	3.00% - 4.65%	\$ 6,375,000
2005 Berrien County Building Authority	2020	\$175,000 - \$300,000	3.25% - 4.10%	<u>3,275,000</u>
				<u><u>\$ 9,650,000</u></u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ended</u>	<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$	875,000	\$ 388,938	\$ 1,263,938
2009		925,000	357,800	1,282,800
2010		975,000	323,388	1,298,388
2011		1,000,000	285,513	1,285,513
2012		4,700,000	774,211	5,474,211
2013-2017		<u>1,175,000</u>	<u>121,100</u>	<u>1,296,100</u>
Total	\$	<u><u>9,650,000</u></u>	<u><u>\$ 2,250,950</u></u>	<u><u>\$ 11,900,950</u></u>

The following is a summary of changes in long-term obligation transactions for the year ended December 31, 2007:

Total debt outstanding - January 1, 2007	\$ 10,525,000
Less principal payments	<u>(875,000)</u>
<b>Total debt outstanding - December 31, 2007</b>	<b><u><u>\$ 9,650,000</u></u></b>
<b>Due within one year</b>	<b><u><u>\$ 875,000</u></u></b>

# BERRIEN 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:

<b>Fund balances</b>	\$ 428,697
<b>Adjustments:</b>	
Leases receivable are not <i>current financial resources</i> and therefore are deferred in the governmental funds	9,350,949
Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	(9,650,000)
Accrued interest on bonds payable	<u>(129,646)</u>
<b>Net assets</b>	<u><u>\$ -</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:

<b>Net change in fund balances</b>	\$ (288,653)
<b>Adjustments:</b>	
Amounts received for the payment of certain bond principal and interest are recorded in the funds as revenue. For the statement of activities, a portion of this revenue is eliminated and treated as a reduction of the lease receivable.	
Rental revenues	(889,637)
Repayment of bond and note principal is an expenditure in the funds, but the repayment reduces long-term liabilities for <i>net assets</i>	875,000
Change in accrued interest on bonds payable	(10,042)
Payments for the acquisition/construction of capital facilities are reported as expenditures in the funds, but are treated as an increase of the lease receivable for the authority-wide statements	<u>313,332</u>
<b>Change in net assets</b>	<u><u>\$ -</u></u>

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