

Monroe County  
Municipal Building  
Authority



Year Ended  
December 31,  
2019

Financial  
Statements

# MONROE COUNTY MUNICIPAL BUILDING AUTHORITY

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Authority-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	13
Notes to Basic Financial Statements	14
Internal Control and Compliance	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	20



**INDEPENDENT AUDITORS' REPORT**

June 24, 2020

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the *Monroe County Municipal Building Authority* (the "Authority"), a component unit of *Monroe County, Michigan* as of and for the year ended December 31, 2019, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Independent Auditors' Responsibility***

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity'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.

### *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 Municipal Building Authority, as of December 31, 2019, 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.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, 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, who 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 June 24, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe 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 Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# MONROE COUNTY MUNICIPAL BUILDING AUTHORITY

## Management's Discussion and Analysis

The Monroe County Municipal Building Authority, (the "Authority"), is a blended component unit of Monroe County, Michigan (the "County"), and was established pursuant to Act 31, Public Acts of Michigan, as amended. The Authority presents this management's discussion and analysis of its financial performance as an overview of financial activities for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements.

### Using this Annual Report

The discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements are comprised of three components: 1) Authority-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

- The *statement of net position* presents information on all of the Authority's assets and deferred outflows of resources and liabilities, with the net of these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year.
- The *fund financial statements* show how services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the authority-wide statements by providing information about the Authority's significant funds.
- The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

### Financial Analysis

The net position of the Authority is summarized for the purpose of determining the overall fiscal position. As shown below, the Authority's assets and deferred outflows of resources exceeded liabilities by \$58,153 at the end of the fiscal year. This is primarily due to long-term liabilities being reported net of discounts and premiums whereas leases receivable are reported at the outstanding debt principal amount at the end of the fiscal year. It should be noted that the resources needed to repay the debt must be provided by the leases receivable.

A comparative analysis of the data is presented on the next page.

# MONROE COUNTY MUNICIPAL BUILDING AUTHORITY

## Management's Discussion and Analysis

	Net Position	
	2019	2018
<b>Assets</b>		
Current and other assets	\$ 7,128	\$ 7,128
Leases receivable	4,412,654	4,869,552
<b>Total assets</b>	<b>4,419,782</b>	<b>4,876,680</b>
<b>Deferred outflows of resources</b>		
Deferred charge on refunding	255,142	229,628
<b>Liabilities</b>		
Other liabilities	42,300	46,650
Long-term debt	4,574,471	5,052,530
<b>Total liabilities</b>	<b>4,616,771</b>	<b>5,099,180</b>
<b>Net position</b>		
Restricted for debt service	\$ 58,153	\$ 7,128
<b>Changes in Net Position</b>		
	2019	2018
Total revenues	\$ 156,502	\$ 187,013
Total expenses	(105,477)	(186,775)
Change in net position	51,025	238
Net position, beginning of year	7,128	6,890
Net position, end of year	\$ 58,153	\$ 7,128

# MONROE COUNTY MUNICIPAL BUILDING AUTHORITY

## Management's Discussion and Analysis

### Leases Receivable

The Authority had \$4,412,654 in leases receivable at the end of the fiscal year. 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. 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 from the Authority to the County.

	Leases Receivable	
	2019	2018
Leases receivable	<u>\$ 4,412,654</u>	<u>\$ 4,869,552</u>

Additional information on the Authority's leases receivables can be found in the notes to the financial statements.

### Long-term Debt

At the end of the current fiscal year, the Authority had total bonded debt outstanding of \$4,230,000. General obligation bonds are direct obligations and pledge the full faith and credit of the County government. These bonds generally are issued as 15 to 20-year serial bonds with varying amounts of principal maturing each year.

	Outstanding Debt	
	2019	2018
2014 refunding building authority	<u>\$ 4,230,000</u>	<u>\$ 4,665,000</u>

Additional information on the Authority's long-term debt can be found in detail in the notes to the financial statements.

### Economic Factors

It should be noted that this financial management discussion relates to the financial status of the Authority's debt service funds. The County debt service funds' activity is discussed in the County Comprehensive Annual Financial Report (CAFR).

The Authority's debt service and construction expenditures are governed by the laws of the State of Michigan and bond indenture covenants. These laws and covenants determine how bond proceeds are spent and how and when debt retirement payments are made. During 2019, total expenditures were \$613,400 all of which related to debt service.

### Contacting the Monroe County Municipal Building Authority

This financial report is designed to provide a general overview of the Authority's finances and to show accountability for the money it receives and expends. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Monroe County Municipal Building Authority, 125 East Second Street, Monroe, Michigan 48161.



## BASIC FINANCIAL STATEMENTS

# MONROE COUNTY MUNICIPAL BUILDING AUTHORITY

## Statement of Net Position

Governmental Activities

December 31, 2019

Assets	
Cash and cash equivalents	\$ 6,628
Leases receivable - County	4,412,654
Other assets	<u>500</u>
Total assets	<u>4,419,782</u>
Deferred outflows of resources	
Deferred charge on refunding	<u>255,142</u>
Liabilities	
Accrued interest payable	42,300
Long-term liabilities:	
Due within one year	493,059
Due in more than one year	<u>4,081,412</u>
Total liabilities	<u>4,616,771</u>
Net position	
Restricted for debt service	<u><u>\$ 58,153</u></u>

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

# MONROE COUNTY MUNICIPAL BUILDING AUTHORITY

## Statement of Activities

For the Year Ended December 31, 2019

Functions / Programs	Expenses	Program Revenues	
		Operating Grants and Contributions	Net Revenue (Expense)
Governmental activities			
General government	\$ -	\$ 156,502	\$ 156,502
Interest on long-term debt	105,477	-	(105,477)
	<u>105,477</u>	<u>156,502</u>	<u>51,025</u>
Total	\$ <u>105,477</u>	\$ <u>156,502</u>	51,025
Net position			
Beginning of year			<u>7,128</u>
End of year			<u>\$ 58,153</u>

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

# MONROE COUNTY MUNICIPAL BUILDING AUTHORITY

## Balance Sheet Governmental Funds December 31, 2019

	Debt Service Funds		Total
	County Facilities	Library/ Fair/ Mental Health	
<b>Assets</b>			
Cash and cash equivalents	\$ 3,582	\$ 3,046	\$ 6,628
Leases receivable	-	4,412,654	4,412,654
Prepays	-	500	500
<b>Total assets</b>	<u>\$ 3,582</u>	<u>\$ 4,416,200</u>	<u>\$ 4,419,782</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue - leases	\$ -	\$ 4,412,654	\$ 4,412,654
<b>Fund balances</b>			
Nonspendable prepaid items	-	500	500
Restricted for debt service	3,582	3,046	6,628
<b>Total fund balances</b>	<u>3,582</u>	<u>3,546</u>	<u>7,128</u>
<b>Total deferred inflows of resources and fund balances</b>	<u>\$ 3,582</u>	<u>\$ 4,416,200</u>	<u>\$ 4,419,782</u>

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

# MONROE COUNTY MUNICIPAL BUILDING AUTHORITY

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
December 31, 2019

Fund balances - total governmental funds	\$ 7,128
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Certain long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	
Leases receivable	4,412,654
Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	
	(4,230,000)
Discounts and premiums on bonds are reported as other financing sources or uses in the governmental funds, whereas they are capitalized and amortized for net position (netted against bonds payable):	
Discounts	30,753
Premiums	(375,224)
Deferred charges for bond refunding losses are not recognized in the governmental funds, whereas they are capitalized and amortized for net position	
	255,142
Accrued interest payable on bonds is not recorded by governmental funds	<u>(42,300)</u>
Net position of governmental activities	<u><u>\$ 58,153</u></u>

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

# MONROE COUNTY MUNICIPAL BUILDING AUTHORITY

## Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2019

	Debt Service Funds		Total
	County Facilities	Library/ Fair/ Mental Health	
Revenues			
Rental and interest income	\$ -	\$ 613,400	\$ 613,400
Expenditures			
Principal	-	435,000	435,000
Interest and fiscal charges	-	178,400	178,400
Total expenditures	-	613,400	613,400
Net change in fund balances	-	-	-
Fund balances, beginning of year	3,582	3,546	7,128
Fund balances, end of year	\$ 3,582	\$ 3,546	\$ 7,128

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

# MONROE COUNTY MUNICIPAL BUILDING AUTHORITY

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended December 31, 2019

Net changes in fund balances - total governmental funds	\$ -
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
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 intergovernmental revenues:	
Intergovernmental revenues	(456,898)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payment on long-term liabilities	435,000
Accrued interest expense on bonds and the amortization of bond issuance premiums and discounts are not recorded by governmental funds but are reported under interest and fiscal charges for purposes of net position:	
Change in accrued interest on bonds	4,350
Amortization of discount on bonds	(3,844)
Amortization of premium on bonds	46,903
Amortization of deferred charge on refunding	25,514
	51,025
Change in net position of governmental activities	\$ 51,025

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

## NOTES TO BASIC FINANCIAL STATEMENTS



# MONROE COUNTY MUNICIPAL BUILDING AUTHORITY

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Monroe County Municipal Building Authority (the "Authority") was established on February 13, 1972 pursuant to Public Act 31 of 1948. The Authority is governed by a five-member board appointed by the Monroe County Board of Commissioners for six-year terms. The Authority enters into various lease agreements with Monroe County, Michigan (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* - The authority-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements.

Major individual governmental funds are reported as separate columns in the fund 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 funds:

County Facilities	(2010 refunding bond issue)
Library/Fair/Mental Health	(2014 refunding bond issue)

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

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.

# MONROE COUNTY MUNICIPAL BUILDING AUTHORITY

## Notes to Financial Statements

*Deferred Outflows of Resources* - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the authority-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

*Long-term Obligations* - In the authority-wide financial statements, long-term debt is reported as a liability. Bond discounts, premiums, and refunding losses 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 and premium.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs 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.

*Deferred Inflows of Resources* - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Authority also reports deferred inflows of resources related to unavailable leases revenue.

*Fund Balance* - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board. A formal resolution of the Board is required to establish, modify or rescind a fund balance commitment. Assigned fund balance is reported for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification used for a general fund.

When the Authority incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Authority's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance, if any.

# MONROE COUNTY MUNICIPAL BUILDING AUTHORITY

## Notes to Financial Statements

### 2. DEPOSITS AND INVESTMENTS

*Custodial Credit Risk - Deposits.* Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At year-end, the carrying amount of the Authority's deposits was \$6,628 and the corresponding bank balance was \$6,628. As of year-end, the entire amount of the bank balance was covered by depository insurance.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority had no investments that require credit risk ratings at year end.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's investment policy requires diversification by security type and institution, but does not place a fixed percentage limit for any one issuer. The Authority has no investments at year end.

*Interest Rate Risk.* Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### 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 generally accepted accounting principles, the Authority's leases are classified as sales leases. As a result, leases receivable are recognized in the accompanying statement of net position, 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 MUNICIPAL BUILDING AUTHORITY

## Notes to Financial Statements

### 4. LONG-TERM DEBT

	Interest Rate	Year of Maturity	Outstanding Principal
General obligation limited tax bonds			
2014 refunding building authority	4.00%	2027	<u>\$ 4,230,000</u>

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

Year Ending December 31,	Principal	Interest
2020	\$ 450,000	\$ 160,200
2021	470,000	141,800
2022	495,000	122,500
2023	515,000	102,300
2024	540,000	81,200
2025-2027	<u>1,760,000</u>	<u>107,400</u>
<b>Total</b>	<u><b>\$ 4,230,000</b></u>	<u><b>\$ 715,400</b></u>

*Changes in Long-term Debt.* Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 4,665,000	\$ -	\$ 435,000	\$ 4,230,000	\$ 450,000
Deferred amounts for:					
Issuance discounts	(34,597)	-	(3,844)	(30,753)	(3,844)
Issuance premiums	<u>422,127</u>	<u>-</u>	<u>46,903</u>	<u>375,224</u>	<u>46,903</u>
	<u>\$ 5,052,530</u>	<u>\$ -</u>	<u>\$ 478,059</u>	<u>\$ 4,574,471</u>	<u>\$ 493,059</u>

### 5. 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, 2019, 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.

# MONROE COUNTY MUNICIPAL BUILDING AUTHORITY

## ■ Notes to Financial Statements

### 6. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the Authority's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the Authority for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the Authority's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

June 24, 2020

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

We have audited, in accordance with the 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 *Monroe County Municipal Building Authority* (the "Authority"), a component unit of Monroe County, Michigan, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 24, 2020.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 Authority'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.