



Grand Rapids, Michigan

FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

KENT COUNTY DISPATCH AUTHORITY

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INDEPENDENT AUDITORS' REPORT

June 23, 2011

Board Members
Kent County Dispatch Authority
Grand Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the ***Kent County Dispatch Authority*** (the "Authority") as of and for the year ended December 31, 2010, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Kent County Dispatch Authority's management. 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 the major fund of the Kent County Dispatch Authority as of December 31, 2010, and the respective changes in financial position thereof and the budgetary comparison for the general fund 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 23, 2011 on our consideration of the Kent County Dispatch Authority'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 Management's Discussion and Analysis on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Rehmann Johnson

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Introduction

The following is a narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2010. We encourage readers to consider the information presented herein in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- Assets of the Authority exceeded its liabilities by \$6,674,592. Of this amount, \$4,290,635, or 64%, was unrestricted.
- The Authority has capital assets of \$2,222,934.
- The Authority has no debt.
- The Authority has no full-time staff.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The financial statements comprise three (3) components: 1) government-wide financial statements; 2) fund financial statements, and 3) notes to the financial statements.

To simplify financial reporting, the government-wide financial statements and the fund statements have been combined to report the statement of net assets and general fund balance sheet on one page, and the statement of activities and general fund revenue, expenditures and changes in fund balance on one page.

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

The *statement of net assets* presents information related to the net assets of the Authority and may, over time, be a useful indicator of the financial stability of the entity. In any case, the Authority's net assets exceeded its liabilities.

The *statement of activities* presents information showing how the Authority's assets changed during the most recent fiscal year.

The government-wide financial statements can be found on pages 8 and 10 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financial decisions.

The Authority maintains one fund (the general fund). Information is presented in the general fund balance sheet and in the general fund statement of revenue, expenditures and change in fund balances for the Authority. The general fund is a major fund for financial reporting purposes as defined by GASB Statement 34.

The Authority adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided herein to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 8-12 of this report.

The Authority does not maintain proprietary or fiduciary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. The notes to the financial statements can be found on pages 13-17 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management's discussion and analysis.

Government-Wide Financial Analysis

As previously stated, net assets may serve to be a useful indicator of the Authority's financial position over time. In the case of the Authority, assets exceeded liabilities by \$6,674,592 at the close of the most recent fiscal year.

Revenue of the Authority is generated from a local 911 surcharge, which became effective July 1, 2008. The surcharge generated \$3,076,088 in direct revenue to the Authority, and the Authority received \$904,513 in intergovernmental revenue from the State 911 surcharge, which is distributed to counties based upon a formula prescribed by the State. The Authority is currently using these accumulated assets to fund the purchase of a Computer Aided Dispatch System to enable the consolidation of the E-911 call taking function and simultaneous dispatch of police, fire, and emergency medical services calls in Kent County.

Kent County Dispatch Authority's Net Assets

| | <u>2010</u> | <u>2009</u> |
|-------------------------------|----------------------------|----------------------------|
| Current and other assets | \$ 4,793,905 | \$ 4,899,965 |
| Capital assets, net | 2,222,934 | - |
| Total assets | <u>7,061,839</u> | <u>4,899,965</u> |
| Current and other liabilities | <u>342,247</u> | <u>24,529</u> |
| Invested in capital assets | 2,222,934 | - |
| Restricted net assets | 161,023 | 144,260 |
| Unrestricted net assets | <u>4,290,635</u> | <u>4,731,176</u> |
| Total net assets | <u>\$ 6,674,592</u> | <u>\$ 4,875,436</u> |

Kent County Dispatch Authority's Change in Net Assets

| | <u>2010</u> | <u>2009</u> |
|------------------------------------|----------------------------|----------------------------|
| Revenue: | | |
| Charges for services | \$ 3,076,088 | \$ 3,222,532 |
| Operating grants and contributions | 904,513 | 887,629 |
| Unrestricted investment income | 58,425 | 47,718 |
| Other revenue | 294 | - |
| Total revenue | <u>4,039,320</u> | <u>4,157,879</u> |
| Expenses: | | |
| Public safety | <u>2,240,164</u> | <u>848,953</u> |
| Change in net assets | 1,799,156 | 3,308,926 |
| Net assets, beginning of year | <u>4,875,436</u> | <u>1,566,510</u> |
| Net assets, end of year | <u>\$ 6,674,592</u> | <u>\$ 4,875,436</u> |

The Authority's increase in net assets is a result of a surcharge on communications devices, which was effective July 1, 2008. These resources are being accumulated to fund anticipated infrastructure updates, which were still in the process of being acquired at year end.

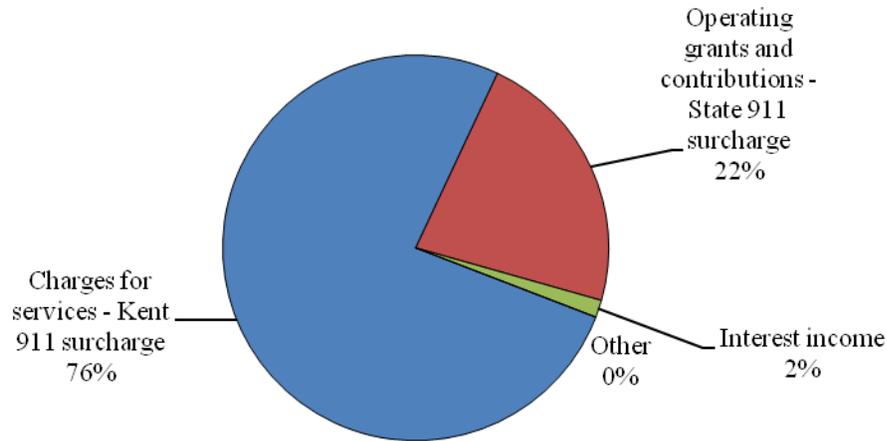
Financial Analysis of the Authority's Funds

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

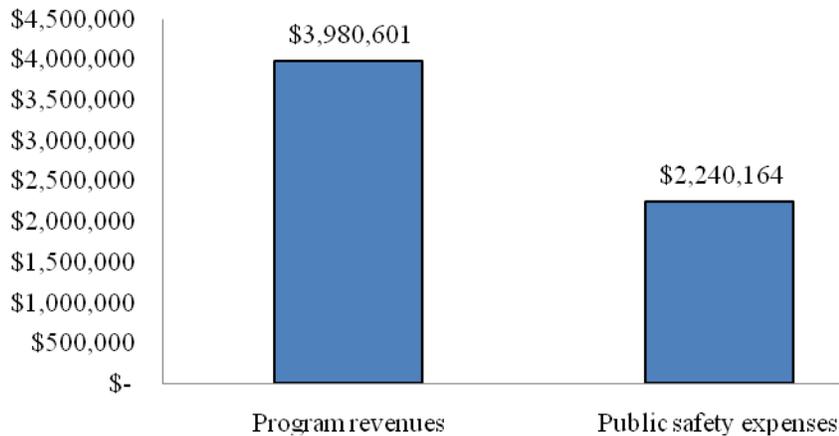
Governmental funds. The focus of the Authority’s general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority’s financing requirements. In particular, fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At December 31, 2010, the Authority’s general fund reported a fund balance of \$4,451,658. Of this amount, \$4,290,635 or 96% is unrestricted and available for spending at the Authority’s discretion.

Revenue by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities



General Fund Budgetary Highlights

During 2010, general fund revenue was \$90,680 less than the final amended budget. This is largely due to the uncertainty of the amount of revenue which would be generated from the local 911 surcharge. In addition, there was a negative variance of \$4,166,902 between the final amended budget for expenditures and actual results. This was primarily the result of budgeting for the full amount of construction projects and strategic plan initiative, which were still in progress at year-end.

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets for its governmental activities as of December 31, 2010 amounted to \$2,222,934 (net of accumulated depreciation). This investment in capital assets includes network systems and call equipment.

| | Governmental Activities | |
|--------------------------|-------------------------|-------------|
| | 2010 | 2009 |
| Construction in progress | \$ 2,039,736 | \$ - |
| Equipment, net | 183,198 | - |
| Total | <u>\$ 2,222,934</u> | <u>\$ -</u> |

The Authority has no long-term debt.

Additional information on the Authority's capital assets can be found in Note 3 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The revenues which support the Authority's budget are based upon a statutorily enabled monthly surcharge on all communication services that are capable of accessing 911 services in Kent County. The recent economic conditions in Kent County which have included population shifts and increased rates of unemployment have impacted the revenue base of the Authority. While revenues from the local 911 surcharge were down in 2010, as compared with 2009, the Authority has continued to take these economic factors into account when budgeting for future years.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the finances of the Kent County Dispatch Authority. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Curtis Holt, Chair, Kent County Dispatch Authority, c/o Kent County Administrator's Office, 300 Monroe Ave. NW., Grand Rapids, MI, 49503.

BASIC FINANCIAL STATEMENTS

KENT COUNTY DISPATCH AUTHORITY
Statement of Net Assets and General Fund Balance Sheet
December 31, 2010

| | General Fund | Adjustments | Statement of Net Assets |
|---|-------------------------|---------------------|------------------------------------|
| Assets | | | |
| Cash, investments and accrued interest | \$ 3,796,961 | \$ - | \$ 3,796,961 |
| Accounts receivable | 773,613 | - | 773,613 |
| Due from other governments | 223,331 | - | 223,331 |
| Capital assets not being depreciated | - | 2,039,736 | 2,039,736 |
| Capital assets being depreciated, net | - | 183,198 | 183,198 |
| | \$ 4,793,905 | 2,222,934 | 7,016,839 |
| Liabilities | | | |
| Accounts payable | \$ 342,247 | - | 342,247 |
| Fund balance | | | |
| Reserved for unexpended Public Act 32 funding | 161,023 | (161,023) | - |
| Unreserved, undesignated | 4,290,635 | (4,290,635) | - |
| | 4,451,658 | (4,451,658) | - |
| | \$ 4,793,905 | | |
| Net assets | | | |
| Invested in capital assets | | 2,222,934 | 2,222,934 |
| Restricted for unexpended Public Act 32 funding | | 161,023 | 161,023 |
| Unrestricted | | 4,290,635 | 4,290,635 |
| | | \$ 6,674,592 | \$ 6,674,592 |

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

KENT COUNTY DISPATCH AUTHORITY
Reconciliation of Fund Balance on the Balance Sheet
for the General Fund to Net Assets
of Governmental Activities on the Statement of Net Assets
December 31, 2010

| | |
|-----------------------------|--------------|
| Fund balance - general fund | \$ 4,451,658 |
|-----------------------------|--------------|

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.

| | | |
|---------------------------------------|--|---------|
| Capital assets not being depreciated | 2,039,736 | |
| Capital assets being depreciated, net | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">183,198</td> </tr> </table> | 183,198 |
| 183,198 | | |

| | | |
|---------------------------------------|---|--------------|
| Net assets of governmental activities | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 6,674,592</td> </tr> </table> | \$ 6,674,592 |
| \$ 6,674,592 | | |

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

KENT COUNTY DISPATCH AUTHORITY
Statement of Activities and General Fund Revenue,
Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2010

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|---|----------------------------|----------------------------|------------------------------------|
| Expenditures / expenses | | | |
| Public safety | \$ 2,371,214 | \$ (131,050) | \$ 2,240,164 |
| Capital outlay | <u>2,091,884</u> | <u>(2,091,884)</u> | <u>-</u> |
| Total expenditures / expenses | <u>4,463,098</u> | <u>(2,222,934)</u> | <u>2,240,164</u> |
| Program revenue | | | |
| Charges for services | 3,076,088 | - | 3,076,088 |
| Operating grants and contributions | <u>904,513</u> | <u>-</u> | <u>904,513</u> |
| Total program revenue | <u>3,980,601</u> | <u>-</u> | <u>3,980,601</u> |
| Net program revenue | | <u>2,222,934</u> | <u>1,740,437</u> |
| General revenue | | | |
| Unrestricted investment income | 58,425 | - | 58,425 |
| Other revenue | <u>294</u> | <u>-</u> | <u>294</u> |
| Total general revenue | <u>58,719</u> | <u>-</u> | <u>58,719</u> |
| Net change in fund balance / net assets | (423,778) | 2,222,934 | 1,799,156 |
| Fund balance / net assets, beginning of year | <u>4,875,436</u> | <u>-</u> | <u>4,875,436</u> |
| Fund balance / net assets, end of year | <u><u>\$ 4,451,658</u></u> | <u><u>\$ 2,222,934</u></u> | <u><u>\$ 6,674,592</u></u> |

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

KENT COUNTY DISPATCH AUTHORITY
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balance
of the General Fund to the Statement of Activities
For the Year Ended December 31, 2010

Net change in fund balance - general fund \$ (423,778)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|--------------------------------------|-----------|
| Capital assets purchased/constructed | 2,243,289 |
| Depreciation expense | (20,355) |
| | 2,222,934 |

Change in net assets of governmental activities \$ 1,799,156

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

KENT COUNTY DISPATCH AUTHORITY
Statement of Revenue, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2010

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|----------------------------------|-----------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenue | | | | |
| Charges for services | \$ 3,200,000 | \$ 3,200,000 | \$ 3,076,088 | \$ (123,912) |
| Intergovernmental | 900,000 | 900,000 | 904,513 | 4,513 |
| Unrestricted investment income | 30,000 | 30,000 | 58,425 | 28,425 |
| Other revenue | - | - | 294 | 294 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenue | 4,130,000 | 4,130,000 | 4,039,320 | (90,680) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Expenditures | | | | |
| Current - public safety: | | | | |
| Professional services | 205,000 | 205,000 | 92,976 | (112,024) |
| Other contractual services | 1,250,000 | 1,250,000 | 1,127,365 | (122,635) |
| Strategic plan initiatives | 2,000,000 | 2,000,000 | 253,579 | (1,746,421) |
| State 911 surcharge distribution | 800,000 | 950,000 | 887,750 | (62,250) |
| Liability insurance | 10,000 | 10,000 | 9,544 | (456) |
| Capital outlay | 4,365,000 | 4,215,000 | 2,091,884 | (2,123,116) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenditures | 8,630,000 | 8,630,000 | 4,463,098 | (4,166,902) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net change in fund balance | (4,500,000) | (4,500,000) | (423,778) | 4,076,222 |
| Fund balance, beginning of year | 4,875,436 | 4,875,436 | 4,875,436 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund balance, end of year | <u>\$ 375,436</u> | <u>\$ 375,436</u> | <u>\$ 4,451,658</u> | <u>\$ 4,076,222</u> |

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

KENT COUNTY DISPATCH AUTHORITY

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Kent County Dispatch Authority (the "Authority") conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

Reporting Entity

The Kent County Dispatch Authority was formed by an intergovernmental agreement between the City of Grand Rapids, the City of Grandville, the City of Walker, the City of Wyoming, and the County of Kent on November 14, 2006. The Authority is a legal entity, separate and independent from the participating municipalities mentioned previously. The Authority is governed by a 13-member administrative policy board.

The Authority was created to improve the handling of emergency calls for service from the public. The Authority is responsible for the implementation of technology integration and operational compatibility of dispatch of emergency, police, fire and ambulance services. Improvements are planned to include infrastructure upgrades, technology initiatives, personnel development, and general operations.

Operating revenue for the Authority is obtained through a surcharge on communications devices that are capable of accessing 911. The surcharge was enacted on July 1, 2008 by the County of Kent, Michigan (the "County"). Through the intergovernmental agreement, the County has provided that all such revenue be provided to the Authority. State legislation enabling the 911 surcharge is in effect through December 31, 2014.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. Governmental activities are supported by charges for services and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

A combined financial statement is provided for the general fund and the statement of net assets and the general fund and the statement of activities. The general fund is considered to be a major fund for financial reporting purposes.

KENT COUNTY DISPATCH AUTHORITY

Notes to Financial Statements

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund (general fund) financial statements (general fund balance sheet and general fund revenue, expenditures and changes in fund balance) are 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, as well as expenditures related to compensated absences not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

Charges for services, grant revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Reserved fund balance/restricted net assets consist of unexpended per capita distributions from the State of Michigan under Public Act 32 of 1986. These funds can only be used for specified purposes. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for the financial resources of the Authority.

Budgetary Data

The annual budget is prepared by the Authority and adopted by the Administrative Policy Board; subsequent amendments are approved by the Board. A comparison of actual results of operations to the budget as adopted by the Board is included in the financial statements.

The budget has been prepared in accordance with generally accepted accounting principles. The budget statement (statement of revenue, expenditures and changes in fund balance – budget and actual – general fund) is presented at a greater level of detail than the legal level of control, which is at the fund level (exclusive of capital outlay). For the year ended December 31, 2010, the budget was adopted prior to the commencement of the fiscal year, as required.

Cash, Investments and Accrued Interest

Cash, cash equivalents, investments and accrued interest are combined in the County of Kent, Michigan's pooled cash and investment system (Money Max) which is managed by the County Treasurer.

KENT COUNTY DISPATCH AUTHORITY

Notes to Financial Statements

Investment income earned as a result of cash pooling is allocated to the appropriate accounts, including the Authority.

State statutes and the County of Kent, Michigan's policy authorize the Authority to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts are considered uncollectible at December 31, 2010.

Capital Assets

Capital assets, which include equipment and infrastructure, are reported in the government-wide statements (statement of net assets). Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (statement of general fund revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund (general fund) column.

At December 31, 2010, the Authority's capital assets are comprised primarily of construction in progress, and as such are not being depreciated until placed in service. Once the assets are complete, depreciation will be recorded over the estimated useful lives of the assets, using the straight-line method. The Authority is currently depreciating equipment over a ten year useful life.

KENT COUNTY DISPATCH AUTHORITY

Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS

The Authority follows the investment policy of the County. The amount shown as cash, investments and accrued interest on the statement of net assets and general fund balance sheet consists of amounts held in the Kent County Investment Pool. Investments underlying the Kent County Investment Pool consist primarily of short-term certificates of deposit, which are carried at cost plus accrued interest, money market accounts, and U.S. Treasury notes, which are carried at fair value. Custodial credit risk for the above investments cannot be determined because Authority investments in the pool are not specifically identifiable. Information regarding interest rate risk and credit risk can be found in the County of Kent, Michigan's Comprehensive Annual Financial Report.

3. CAPITAL ASSETS

Changes in the components of capital assets are summarized as follows:

| | <u>Balance January 1, 2010</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance December 31, 2010</u> |
|---|--|---------------------|------------------|--|
| Governmental activities | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ - | \$ 2,039,736 | \$ - | \$ 2,039,736 |
| Capital assets being depreciated: | | | | |
| Equipment | - | 203,553 | - | 203,553 |
| Less accumulated depreciation for: | | | | |
| Equipment | - | (20,355) | - | (20,355) |
| Net capital assets being depreciated | - | 183,198 | - | 183,198 |
| Net governmental activities capital assets | \$ - | \$ 2,222,934 | \$ - | \$ 2,222,934 |

Depreciation expense was allocated entirely to the public safety function, which is the sole function for financial reporting purposes in the statement of activities.

At December 31, 2010, the Authority had remaining commitments on construction in progress in the amount of approximately \$1,940,000.

4. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions. The Authority has purchased commercial insurance for the above risks of loss. Settled claims have not exceeded insurance coverage for the last three years.

KENT COUNTY DISPATCH AUTHORITY

Notes to Financial Statements

5. RELATED PARTY TRANSACTIONS

The entire amount of program revenue received by the Authority has been passed-through from Kent County, a participating municipality, per Board of Commissioners resolution and the intergovernmental agreement. In addition, the Authority contracted with the County for administrative services, a public safety answering point agreement, and network/cabling upgrades. The expenses for the year ended December 31, 2010 were \$5,621, \$577,750, and \$90,731, respectively. At year-end, \$48,183 was recorded in accounts payable for these services.

* * * * *

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 23, 2011

Board Members
Kent County Dispatch Authority
Grand Rapids, Michigan

We have audited the financial statements of the governmental activities and the major fund of the *Kent County Dispatch Authority* (the "Authority"), as of and for the year ended December 31, 2010, and have issued our report thereon dated June 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below as 2010-1, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

**2010-1 Material Audit Adjustments
 Material Weakness in Internal Control over Financial Reporting**

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed a material adjustment (which was approved and posted by management) to adjust the Authority's capital asset balance to the appropriate amount.

Cause. Management did not initially include intangible assets on its depreciation schedules, as required by GASB Statement No. 51. Governmental GAAP requires all capital assets (including intangible usage rights) to be capitalized and depreciated on the full-accrual government-wide financial statements.

Effect. As a result of this condition, the Authority's accounting records were initially misstated by an amount that was material to the government-wide financial statements. The Authority's modified-accrual fund financial statements used for internal budgeting and managerial reporting were not affected by this adjustment.

Recommendation. Management has already taken appropriate corrective action by reviewing and approving the proposed audit adjustment.

View of Responsible Officials. Management agrees with the adjustment proposed by its auditors, and it has been posted in the Authority's records.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kent County Dispatch Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Kent County Dispatch Authority's response to the finding identified in our audit is described above. We did not audit the Kent County Dispatch Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Kent County Dispatch Authority Board members, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, it is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Lehmann Johnson". The signature is written in a cursive, flowing style.