

KENT COUNTY
DISPATCH
AUTHORITY



Year Ended
December 31,
2011

Financial
Statements

KENT COUNTY DISPATCH AUTHORITY

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INDEPENDENT AUDITORS' REPORT

June 20, 2012

Administrative Policy Board
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, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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, 2011, and the respective changes in financial position thereof and the respective 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 20, 2012 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 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 assurance.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

KENT COUNTY DISPATCH AUTHORITY

Management's Discussion and Analysis

As management of the Kent County Dispatch Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2011.

Financial Highlights

- Assets of the Authority exceeded its liabilities by \$7,689,683. Of this amount, \$4,605,145, or 60%, was unrestricted.
- The Authority has capital assets of \$2,852,696.
- 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.

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. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 12-15 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.

KENT COUNTY DISPATCH AUTHORITY

Management's Discussion and Analysis

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 basic governmental fund financial statements can be found on page 16 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 17-23 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 \$7,689,683 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 \$3,073,794 in direct revenue to the Authority, and the Authority received \$946,057 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

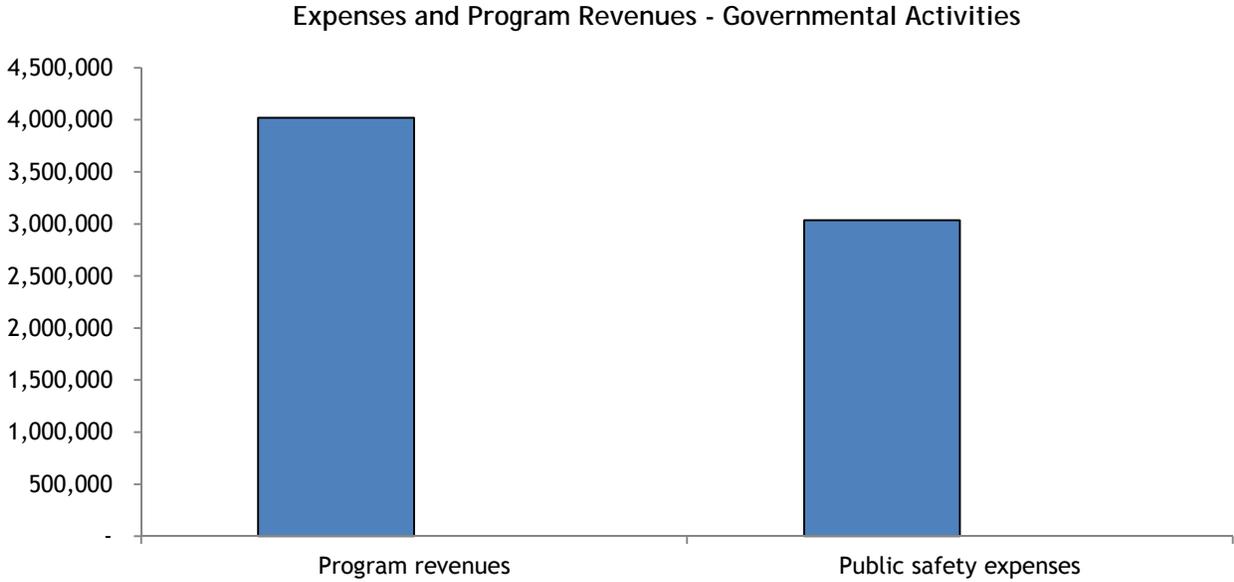
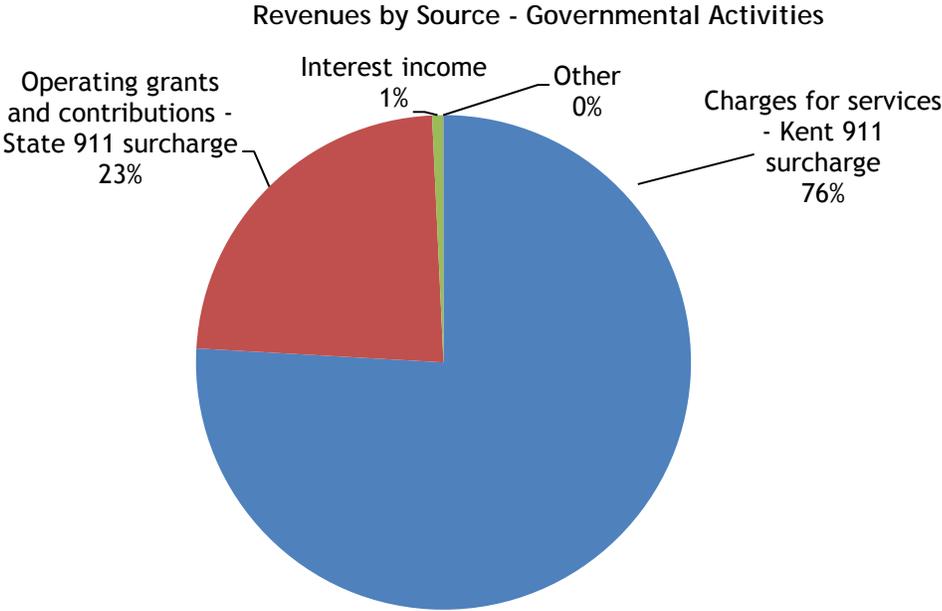
Management's Discussion and Analysis

	Net Assets	
	2011	2010
Assets		
Current and other assets	\$ 6,483,896	\$ 4,793,905
Capital assets, net	<u>2,852,696</u>	<u>2,222,934</u>
Total assets	<u>9,336,592</u>	<u>7,016,839</u>
Current and other liabilities	<u>1,646,909</u>	<u>342,247</u>
Net assets		
Invested in capital assets, net of related debt	2,852,696	2,222,934
Restricted	231,842	161,023
Unrestricted	<u>4,605,145</u>	<u>4,290,635</u>
Total net assets	<u>\$ 7,689,683</u>	<u>\$ 6,674,592</u>
	Change in Net Assets	
	2011	2010
Revenues		
Charges for services	\$ 3,073,794	\$ 3,076,088
Operating grants and contributions	946,057	904,513
Unrestricted investment income	28,981	58,425
Other revenue	<u>1,094</u>	<u>294</u>
Total revenues	4,049,926	4,039,320
Expenses		
Public safety	<u>3,034,835</u>	<u>2,240,164</u>
Change in net assets	1,015,091	1,799,156
Net assets, beginning of year	<u>6,674,592</u>	<u>4,875,436</u>
Net assets, end of year	<u>\$ 7,689,683</u>	<u>\$ 6,674,592</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.

KENT COUNTY DISPATCH AUTHORITY

Management's Discussion and Analysis



KENT COUNTY DISPATCH AUTHORITY

Management's Discussion and Analysis

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, 2011, the Authority's general fund reported a fund balance of \$4,836,987. Of this amount, \$4,605,145 or 95% is unrestricted and available for spending at the Authority's discretion.

General Fund Budgetary Highlights

The general fund final budget for revenue was approximately \$100,00 less than the original budget because the combined surcharges received were \$84,000 less than anticipated as well as \$21,000 less realized from investment of KCDA funds. The general fund final budget for expenditures was approximately \$5,335,000 less than the original budget because the Authority has a strategic plan for technology that requires capital purchases as well as ongoing maintenance and support fees. During the year several of the systems had unforeseen delays in implementation which resulted in less spending than anticipated. Additionally, an annual amount in excess of \$550,000 is set aside to fund capital replacement of systems.

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets for its governmental activities as of December 31, 2011 amounted to \$2,852,696 (net of accumulated depreciation). This investment in capital assets includes network systems and call equipment.

	Capital Assets (Net of Depreciation)	
	2011	2010
Construction in progress	\$ 2,571,855	\$ 2,039,736
Equipment, net	<u>280,841</u>	<u>183,198</u>
Total capital assets, net	<u>\$ 2,852,696</u>	<u>\$ 2,222,934</u>

The Authority has no long-term debt.

Additional information on the County's capital assets can be found in Note 3 on page 22 of this report.

KENT COUNTY DISPATCH AUTHORITY

■ Management's Discussion and Analysis

Economic Factors and Next Year's Budget 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 2011, as compared with 2010, 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.

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BASIC FINANCIAL STATEMENTS

KENT COUNTY DISPATCH AUTHORITY

Statement of Net Assets and General Fund Balance Sheet December 31, 2011

	General Fund	Adjustments	Statement of Net Assets
Assets			
Cash, investments, and accrued interest	\$ 5,485,378	\$ -	\$ 5,485,378
Receivables, net	739,785	-	739,785
Due from other governments	258,733	-	258,733
Capital assets not being depreciated	-	2,571,855	2,571,855
Capital assets being depreciated, net	-	280,841	280,841
Total assets	<u>\$ 6,483,896</u>	<u>2,852,696</u>	<u>9,336,592</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 1,646,909	-	1,646,909
Fund balance			
Restricted for unexpended Public Act 32 funding	231,842	(231,842)	-
Unassigned	4,605,145	(4,605,145)	-
Total fund balance	<u>4,836,987</u>	<u>(4,836,987)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 6,483,896</u>		
Net assets			
Invested in capital assets		2,852,696	2,852,696
Restricted for unexpended Public Act 32 funding		231,842	231,842
Unrestricted		4,605,145	4,605,145
Total net assets		<u>\$ 7,689,683</u>	<u>\$ 7,689,683</u>

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

KENT COUNTY DISPATCH AUTHORITY

■ Reconciliation

Fund Balances for the General Fund to Net Assets of
Governmental Activities
December 31, 2011

Fund balances - general fund \$ 4,836,987

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

2,571,855

Capital assets being depreciated, net

280,841

Net assets of governmental activities

\$ 7,689,683

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

	General Fund	Adjustments	Statement of Activities
Expenditures / expenses			
Public safety	\$ 3,034,414	\$ 421	\$ 3,034,835
Capital outlay	630,183	(630,183)	-
Total expenditures / expenses	<u>3,664,597</u>	<u>(629,762)</u>	<u>3,034,835</u>
Program revenue			
Charges for services	3,073,794	-	3,073,794
Operating grants and contributions	946,057	-	946,057
Total program revenue	<u>4,019,851</u>	<u>-</u>	<u>4,019,851</u>
Net program revenue	<u>355,254</u>	<u>629,762</u>	<u>985,016</u>
General revenue			
Unrestricted investment income	28,981	-	28,981
Other revenue	1,094	-	1,094
Total general revenue	<u>30,075</u>	<u>-</u>	<u>30,075</u>
Net change in fund balance / net assets	385,329	629,762	1,015,091
Fund balance/ net assets, beginning of the year	<u>4,451,658</u>	<u>2,222,934</u>	<u>6,674,592</u>
Fund balance / net assets, end of year	<u>\$ 4,836,987</u>	<u>\$ 2,852,696</u>	<u>\$ 7,689,683</u>

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

KENT COUNTY DISPATCH AUTHORITY

■ Reconciliation

Net Changes in Fund Balances of the General Fund to Change in
Net Assets of Governmental Activities
For the Year Ended December 31, 2011

Net change in fund balances - general fund	\$ 385,329
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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	685,847
Depreciation expense	<u>(56,085)</u>

Change in net assets of governmental activities	<u><u>\$ 1,015,091</u></u>
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The accompanying notes are an integral part of these basic financial statements.

KENT COUNTY DISPATCH AUTHORITY

Statement of Revenue, Expenditures and Changes in Fund Balances Budget and Actual - General Fund For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Charges for services	\$ 3,200,000	\$ 3,200,000	\$ 3,073,794	\$ (126,206)
Intergovernmental	900,000	900,000	946,057	46,057
Unrestricted investment income	50,000	50,000	28,981	(21,019)
Other revenue	-	-	1,094	1,094
Total revenue	4,150,000	4,150,000	4,049,926	(100,074)
Expenditures				
Current - public safety:				
Professional services	200,000	200,000	126,398	(73,602)
Other contractual services	2,850,000	2,850,000	1,882,403	(967,597)
Strategic plan initiatives	2,000,000	2,000,000	137,413	(1,862,587)
State 911 surcharge distribution	900,000	900,000	875,238	(24,762)
Liability insurance	10,000	10,000	12,962	2,962
Capital outlay	3,040,000	3,040,000	630,183	(2,409,817)
Total expenditures	9,000,000	9,000,000	3,664,597	(5,335,403)
Net change in fund balances	(4,850,000)	(4,850,000)	385,329	5,235,329
Fund balance, beginning of the year	4,850,000	4,850,000	4,451,658	(398,342)
Fund balance, end of year	\$ -	\$ -	\$ 4,836,987	\$ 4,836,987

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

NOTES TO 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.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all 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, 2011, the budget was adopted prior to the commencement of the fiscal year, as required.

KENT COUNTY DISPATCH AUTHORITY

Notes to Financial Statements

Assets, Liabilities and Equity

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.

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, 2011.

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

KENT COUNTY DISPATCH AUTHORITY

Notes to Financial Statements

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, 2011, 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 five year useful life.

Fund Equity

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 resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Administrative Policy Board. A formal resolution of the Board is required to establish, modify, or rescind a fund balance commitment. The Authority reports assigned fund balance 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 for the general fund.

Restricted fund balance/net assets consists of unexpended per capita distributions from the State of Michigan under Public Act 32 of 1986 which are required to be used for specified purposes. When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

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.

KENT COUNTY DISPATCH AUTHORITY

Notes to Financial Statements

3. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Construction in progress	\$ 2,039,736	\$ 627,797	\$ -	\$ (95,678)	\$ 2,571,855
Capital assets, being depreciated:					
Equipment	203,553	58,050	-	95,678	357,281
Less accumulated depreciation for:					
Equipment	(20,355)	(56,085)	-	-	(76,440)
Total capital assets					
being depreciated, net	183,198	1,965	-	95,678	280,841
Governmental activities					
capital assets, net	\$ 2,222,934	\$ 629,762	\$ -	\$ -	\$ 2,852,696

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, 2011, the Authority had remaining commitments on construction in progress in the amount of approximately \$970,000.

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.

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 CAD administrative agreement. The expenses for the year ended December 31, 2011 were \$5,675, \$967,718, and \$172,060, respectively. At year-end, \$564,489 was recorded in accounts payable for these services.

KENT COUNTY DISPATCH AUTHORITY

Notes to Financial Statements

6. COMMITMENTS

The Authority has entered into a contract with the Kent County Sheriff's Department and the Grand Rapids Police Department for emergency call-taking services through June 30, 2015. The contract sum is allocated based on actual call volume. The amount remaining on the contract at December 31, 2011 was \$8,750,000.

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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 20, 2012

Administrative Policy Board
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, 2011, and have issued our report thereon dated June 20, 2012. 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

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described below as item 2011-FS-1 to be a material weakness.

2011-FS-01 - Material Audit Adjustment

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 initially included an amount in capital additions that was recognized and capitalized as construction in progress in the prior year. In addition, management did not initially identify several other smaller capital items related to the CAD project as capital asset additions.

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

We noted certain other matters that we reported to management of the Authority in a separate letter dated June 20, 2012.

This report is intended solely for the information and use of the Kent County Dispatch Authority Board members, management, and others within the organization, 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.

