

Kent County
Dispatch Authority



Year Ended
December 31,
2015

Financial
Statements

KENT COUNTY DISPATCH AUTHORITY

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INDEPENDENT AUDITORS' REPORT

May 9, 2016

Administrative Policy Board
Kent County Dispatch Authority
Grand Rapids, Michigan**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the *Kent County Dispatch Authority* (the "Authority"), as of and for the year ended December 31, 2015, and the related notes to the 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 from 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 Kent County Dispatch Authority, as of December 31, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 dated May 9, 2016, on our consideration of the Kent County Dispatch 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 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* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Lohman LLC". 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, 2015.

Financial Highlights

- Assets of the Authority exceeded its liabilities by \$8,296,326. Of this amount, \$6,933,270, or 84%, was unrestricted.
- The Authority has capital assets of \$1,363,056.
- The Authority has no debt.
- The Authority has no full-time staff, but rather contracts with other agencies to provide administrative services.

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 position* presents information related to the net position of the Authority and may, over time, be a useful indicator of the financial stability of the entity. 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. All changes in net position 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 (for instance, depreciation expense associated with capital assets).

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. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

KENT COUNTY DISPATCH AUTHORITY

Management's Discussion and Analysis

The Authority maintains two funds - the general fund and the capital projects fund. Information for each fund is presented in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. Both the general fund and the capital projects fund are major funds for financial reporting purposes as defined by GASB Statement 34.

The Authority does not maintain proprietary or fiduciary funds.

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

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.

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 position 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 \$8,296,326 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 supplemented by a State per capita distribution. Both funding sources are revenue of the County of Kent, Michigan, but are passed-through to the Authority based on an intergovernmental agreement. The Authority recognized \$3,904,508 in surcharge-generated revenue for the current year. 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

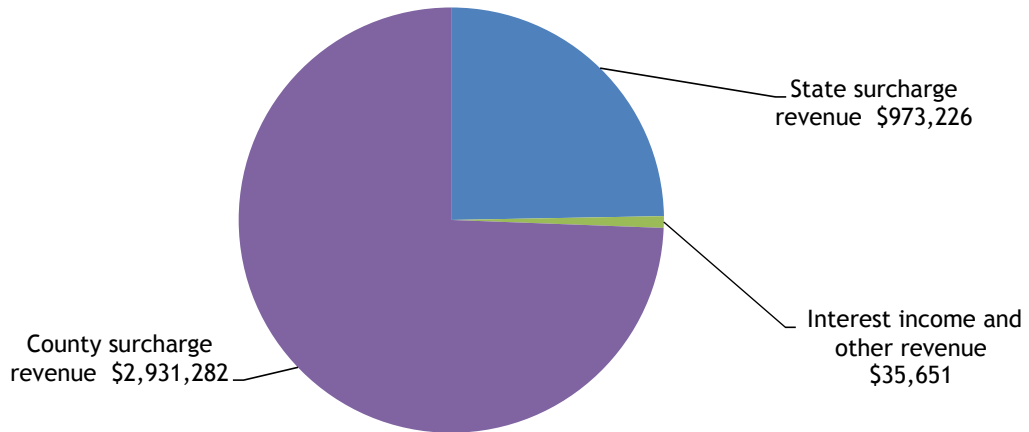
	Net Position	
	2015	2014
Assets		
Current and other assets	\$ 8,190,003	\$ 7,574,932
Capital assets, net	<u>1,363,056</u>	<u>1,878,122</u>
Total assets	<u>9,553,059</u>	<u>9,453,054</u>
Liabilities	<u>1,256,733</u>	<u>1,327,720</u>
Net position		
Investment in capital assets	1,363,056	1,878,122
Unrestricted	<u>6,933,270</u>	<u>6,247,212</u>
Total net position	<u>\$ 8,296,326</u>	<u>\$ 8,125,334</u>
	Change in Net Position	
	2015	2014
Revenues		
Operating grants and contributions	\$ 3,904,508	\$ 3,897,283
Unrestricted investment income	30,078	52,767
Other revenues	<u>5,573</u>	<u>3,570</u>
Total revenues	3,940,159	3,953,620
Expenses		
Public safety	<u>3,769,167</u>	<u>4,118,909</u>
Change in net position	170,992	(165,289)
Net position, beginning of year	<u>8,125,334</u>	<u>8,290,623</u>
Net position, end of year	<u>\$ 8,296,326</u>	<u>\$ 8,125,334</u>

The Authority's increase in net position is a result of a decrease in maintenance costs as well as not contributing to the capital replacement fund coupled with an increase in surcharge revenue from the State of Michigan.

KENT COUNTY DISPATCH AUTHORITY

Management's Discussion and Analysis

Governmental Activities Revenue by Type



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, 2015, the Authority's governmental funds reported a fund balance of \$6,933,270. Of this amount, \$2,680,000 is committed by the administrative board for future capital expenditures and \$97,659 is categorized as nonspendable because it relates to prepaid items. The remaining \$4,155,611 or 60% is unassigned and available for spending at the Authority's discretion.

General Fund Budgetary Highlights

Total revenues of the general fund were \$57,901 more than budgeted. Of this amount, \$21,508 related to surcharge revenue which is difficult to budget based on the limited data received from the third party providers. The general fund expenditures were \$829,001 less than the adopted budget due to cost cutting measures and capital project delays.

KENT COUNTY DISPATCH AUTHORITY

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets for its governmental activities as of December 31, 2015 amounted to \$1,363,056 (net of accumulated depreciation). This investment in capital assets includes network systems and call equipment.

	Capital Assets (Net of Depreciation)	
	2015	2014
Construction in progress	\$ -	\$ 103,500
Equipment, net	<u>1,363,056</u>	<u>1,774,622</u>
Total capital assets, net	<u>\$ 1,363,056</u>	<u>\$ 1,878,122</u>

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

The Authority has no long-term debt.

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 include population shifts that affect the number of devices paying surcharge continues to impact the revenue base of the Authority. While revenues from the local 911 surcharge were down in 2015, as compared with 2014, 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 City of Wyoming, 1155 28th St. SW, Wyoming, MI 49509.

BASIC FINANCIAL STATEMENTS

KENT COUNTY DISPATCH AUTHORITY

Statement of Net Position

December 31, 2015

	Governmental Activities
Assets	
Cash, investments, and accrued interest	\$ 7,111,487
Due from other governments	980,857
Prepaid items	97,659
Capital assets being depreciated, net	<u>1,363,056</u>
Total assets	<u>9,553,059</u>
Liabilities	
Accounts payable	<u>1,256,733</u>
Net position	
Investment in capital assets	1,363,056
Unrestricted	<u>6,933,270</u>
Total net position	<u><u>\$ 8,296,326</u></u>

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

KENT COUNTY DISPATCH AUTHORITY

Statement of Activities

For the Year Ended December 31, 2015

Function / Program	Program Revenues		Net (Expense) Revenue
	Expenses	Operating Grants and Contributions	
Governmental activities			
Public safety	<u>\$ 3,769,167</u>	<u>\$ 3,904,508</u>	<u>\$ 135,341</u>
General revenues			
Unrestricted investment income			30,078
Other revenues			<u>5,573</u>
Total general revenues			<u>35,651</u>
Change in net position			170,992
Net position, beginning of the year			<u>8,125,334</u>
Net position, end of year			<u>\$ 8,296,326</u>

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

KENT COUNTY DISPATCH AUTHORITY

Balance Sheet

Governmental Funds

December 31, 2015

	General Fund	Capital Projects Fund	Total
Assets			
Cash, investments, and accrued interest	\$ 4,431,487	\$ 2,680,000	\$ 7,111,487
Due from other governments	980,857	-	980,857
Prepaid items	97,659	-	97,659
Total assets	\$ 5,510,003	\$ 2,680,000	\$ 8,190,003
Liabilities			
Accounts payable	\$ 1,256,733	\$ -	\$ 1,256,733
Fund balance			
Nonspendable	97,659	-	97,659
Committed for capital improvements	-	2,680,000	2,680,000
Unassigned	4,155,611	-	4,155,611
Total fund balance	4,253,270	2,680,000	6,933,270
Total liabilities and fund balance	\$ 5,510,003	\$ 2,680,000	\$ 8,190,003

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

KENT COUNTY DISPATCH AUTHORITY

Reconciliation

Fund Balances for Governmental Funds
Net Position of Governmental Activities
December 31, 2015

Fund balances - total governmental funds \$ 6,933,270

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

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

Capital assets being depreciated, net 1,363,056

Net position of governmental activities \$ 8,296,326

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

KENT COUNTY DISPATCH AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2015

	General Fund	Capital Projects Fund	Total
Revenues			
Intergovernmental	\$ 3,904,508	\$ -	\$ 3,904,508
Investment income (loss)	33,020	(2,942)	30,078
Other revenues	5,573	-	5,573
Total revenues	3,943,101	(2,942)	3,940,159
Expenditures			
Public safety	3,083,704	170,397	3,254,101
Revenues over (under) expenditures	859,397	(173,339)	686,058
Other financing sources (uses)			
Transfers in	-	2,853,339	2,853,339
Transfers out	(2,853,339)	-	(2,853,339)
Total other financing sources (uses)	(2,853,339)	2,853,339	-
Net change in fund balances	(1,993,942)	2,680,000	686,058
Fund balances, beginning of year	6,247,212	-	6,247,212
Fund balances, end of year	\$ 4,253,270	\$ 2,680,000	\$ 6,933,270

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

KENT COUNTY DISPATCH AUTHORITY

Reconciliation

Net Change in Fund Balances of Governmental Funds
Change in Net Position of Governmental Activities
For the Year Ended December 31, 2015

Net change in fund balances - total governmental funds \$ 686,058

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	167,896
Depreciation expense	<u>(682,962)</u>

Change in net position of governmental activities \$ 170,992

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

KENT COUNTY DISPATCH AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State surcharge	\$ 950,000	\$ 950,000	\$ 973,226	\$ 23,226
County surcharge	2,933,000	2,933,000	2,931,282	(1,718)
Total intergovernmental	3,883,000	3,883,000	3,904,508	21,508
Investment income	-	-	33,020	33,020
Other revenues	2,200	2,200	5,573	3,373
Total revenues	3,885,200	3,885,200	3,943,101	57,901
Expenditures				
Public safety:				
General	3,493,658	1,252,905	507,698	(745,207)
Call taking at City of Grand Rapids	1,544,650	1,579,900	1,480,864	(99,036)
Call taking at Kent County	1,044,650	1,079,900	1,095,142	15,242
Total expenditures	6,082,958	3,912,705	3,083,704	(829,001)
Revenue over (under) expenditures	(2,197,758)	(27,505)	859,397	886,902
Other financing uses				
Transfers out	-	(2,853,339)	(2,853,339)	-
Net change in fund balance	(2,197,758)	(2,880,844)	(1,993,942)	886,902
Fund balance, beginning of year	6,247,212	6,247,212	6,247,212	-
Fund balance, end of year	\$ 4,049,454	\$ 3,366,368	\$ 4,253,270	\$ 886,902

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 911 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, 2021.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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 revenues* include 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (i.e., the statement of net position 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.

KENT COUNTY DISPATCH AUTHORITY

Notes to Financial Statements

Governmental fund financial statements 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 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Surcharge 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 funds:

The *general fund* is the government's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

The *capital projects fund* is used to account for and report financial resources that are committed for the purchase of capital assets. Although these funds are not formally restricted, the Board has determined that the resources will be set aside for the purposes of capital replacement and maintenance.

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 revenues, expenditures and changes in fund balance - budget and actual - general fund) is presented at the legal level of control, which is at the activity level. For the year ended December 31, 2015, the budget was adopted prior to the commencement of the fiscal year, as required.

Excess of Expenditures Over Budget

During the year ended December 31, 2015 the Authority incurred expenditures in certain budgetary funds which were in excess of the amounts budgeted, as follows:

	Final Budget	Expenditures	Budget Variance
Public safety:			
Call taking at Kent County	\$ 1,079,900	\$ 1,095,142	\$ 15,242

KENT COUNTY DISPATCH AUTHORITY

Notes to Financial Statements

Assets, Liabilities and Equity

Cash, Investments and Accrued Interest

Cash, investments and accrued interest are combined with the City of Wyoming, Michigan's pooled cash and investments which is managed by the Finance Director. Interest income is allocated monthly based on each participating fund's average pooled cash and investments at the beginning and ending of the month. In addition, the Authority has a separate checking account primarily used as a receiving account for funds collected by Kent County and transferred to the Authority.

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

State statutes and the City of Wyoming, 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.

Due From Other Governments

Due from other governments consists entirely of amounts due from Kent County for the quarterly per capital payment from the State of Michigan as well as amounts collected on the local surcharge. No amounts are considered uncollectible at December 31, 2015.

Prepaid Items

The Authority incurred expenses prior to year-end for services that will be performed in the next fiscal year. Those services that are expected to be received within one year are expensed when paid. Services covering a period of greater than one year are recorded as an asset to reflect the investment in future services.

KENT COUNTY DISPATCH AUTHORITY

Notes to Financial Statements

Capital Assets

Capital assets, which include equipment and infrastructure, are reported in the government-wide statements (statement of net position). Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 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.

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.

Depreciation is 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. The authority for assigning fund balance has been delegated to the Finance Committee. Unassigned fund balance is the residual classification for the general fund.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

KENT COUNTY DISPATCH AUTHORITY

Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS

The Authority's deposits and investments, presented as cash, investments and accrued interest in the statement of net position, consisted of the following:

Checking/savings accounts	\$ 1,000
Held in the City of Wyoming's cash and investment pool	<u>7,110,487</u>
Total cash, investments and accrued interest	<u>\$ 7,111,487</u>

Deposit and Investment Risk

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of year-end, none of the Authority's bank balance of \$1,000 was exposed to credit risk because it was fully covered by FDIC insurance. Custodial credit risk for the balance held in the City of Wyoming cash and investment pool cannot be determined because the Authority's balance does not correspond to specific bank accounts. Information regarding custodial credit risk can be found in the City of Wyoming, Michigan's Comprehensive Annual Financial Report.

The Authority follows the investment policy of the City of Wyoming. The amount above shown as held in the City of Wyoming's cash and investment pool consist primarily of money market accounts, U.S. Treasury notes, municipal bond notes, federal agency mortgage backed securities, federal agency bond notes, and commercial paper 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 City of Wyoming, Michigan's Comprehensive Annual Financial Report.

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	\$ 103,500	\$ -	\$ -	\$ (103,500)	\$ -
Capital assets, being depreciated:					
Equipment	3,509,027	167,896	-	103,500	3,780,423
Less accumulated depreciation for:					
Equipment	(1,734,405)	(682,962)	-	-	(2,417,367)
Total capital assets being depreciated, net	<u>1,774,622</u>	<u>(515,066)</u>	<u>-</u>	<u>103,500</u>	<u>1,363,056</u>
Governmental activities capital assets, net	<u>\$ 1,878,122</u>	<u>\$ (515,066)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,363,056</u>

KENT COUNTY DISPATCH AUTHORITY

Notes to Financial Statements

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

At December 31, 2015, the Authority had commitments for future construction projects in the amount of \$917,319.

4. TRANSFERS

During the year ended December 31, 2015, the general fund made a transfer of \$2,853,339 to the capital projects fund in order to set aside resources for future capital purchases and maintenance.

5. 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.

6. RELATED PARTY TRANSACTIONS

The Authority conducts a variety of transactions with the participating municipalities involved in establishment of the entity. 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 an intergovernmental agreement. In addition, the Kent County Sheriff's Department and the City of Grand Rapids Police Department provide emergency call-taking services for the Authority and have been reimbursed for related training costs. Finally, Kent County and the City of Wyoming provide computer-aided dispatch (CAD) administration, accounting and GIS/information technology services to the Authority.

Expenses for the year ended December 31, 2015 for the above services were:

	Kent County	City of Wyoming	City of Grand Rapids	Totals
Emergency call-taking	\$ 1,056,750	\$ -	\$ 1,443,250	\$ 2,500,000
CAD administration	29,375	-	29,375	58,750
Administrative services	6,138	12,000	-	18,138
Totals	<u>\$ 1,092,263</u>	<u>\$ 12,000</u>	<u>\$ 1,472,625</u>	<u>\$ 2,576,888</u>

At year end, the amount due to related parties totaled \$1,250,571.

7. 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 December 31, 2016. The contract sum is allocated based on actual call volume. Expenditures under this contract for the year ended December 31, 2015 were \$2,500,000.

KENT COUNTY DISPATCH AUTHORITY

Notes to Financial Statements

In addition, the Authority has entered into a multi-year contract for maintenance and support services. Payments under this agreement for the year ended December 31, 2015 totaled \$229,506.

Future minimum payments due on these contracts are summarized as follows:

Year Ended December 31,	Call Taking Agreement	Maintenance Agreement	Total Commitment
2016	\$ 2,500,000	\$ 239,478	\$ 2,739,478
2017	-	249,941	249,941
2018	-	260,928	260,928
Totals	<u>\$ 2,500,000</u>	<u>\$ 750,347</u>	<u>\$ 3,250,347</u>

8. SUBSEQUENT EVENT

On February 17, 2016, the Authority entered into a contract with AT&T Michigan for emergency call handling equipment and services. This agreement includes a one-time payment of \$547,644, due at the time the equipment is installed, and a related annual maintenance fee of \$98,513 for five years.



INTERNAL CONTROL AND COMPLIANCE

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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*

May 9, 2016

Administrative Policy Board
Kent County Dispatch Authority
Grand Rapids, Michigan

We have audited, 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, the financial statements of the governmental activities and each major fund of the *Kent County Dispatch Authority* (the "Authority"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 9, 2016.

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.

Rehmann Loborn LLC