

Kalamazoo County Consolidated Dispatch Authority
Kalamazoo County, Michigan

FINANCIAL STATEMENTS

Year ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kalamazoo County Consolidated Dispatch Authority
Kalamazoo, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Kalamazoo County Consolidated Dispatch Authority (the Authority), a discretely presented component unit Governmental Fund of the County of Kalamazoo, Michigan (the County), as of and for the year ended December 31, 2018, and the related notes to the financial statements, as listed in the 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 auditor's 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the governmental activities and the major fund of the Kalamazoo County Consolidated Dispatch Authority, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the basic financial statements referred to above include only the Authority and do not purport to, and do not, present fairly the financial position of the County, as of December 31, 2018, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the 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 Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Siegfried Crandall P.C.

May 9, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is intended as a narrative overview of the Kalamazoo County Consolidated Dispatch Authority's (the Authority) financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's total net position increased \$6,941,386 in as a result of this year's activities.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$4,880,835, which represents 97 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Authority's annual report is comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Authority:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Authority's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Authority, reporting the Authority's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how general government services, like public safety, are financed in the short-term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2018 and 2017 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Authority's net position and how it has changed. Net position (the difference between the Authority's assets and liabilities) is one way to measure the Authority's financial health, or position.

- Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Authority, you need to consider additional nonfinancial factors, such as the condition of the Authority's capital assets.

The government-wide financial statements present governmental activities. These activities include functions most commonly associated with government (e.g., public safety). Contributions from local units and surcharge/9-1-1 fee revenues generally fund these services.

Fund financial statements

The fund financial statements provide more detailed information about the Authority's most significant fund - not the Authority as a whole. Funds are accounting devices that the Authority uses to keep track of specific sources of funding and spending for particular purposes. The Authority's lone fund is its General Fund. This fund accounts for the expenses involved in providing services to the Authority's patrons, with the majority of funding coming from contributions from local units and surcharges/9-1-1 fees to cover the costs of operation. This fund uses the modified accrual basis of accounting.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$8,790,273. Of this total, \$3,852,905 represents net investment in capital assets and, consequently, unrestricted net position was \$4,937,368.

*Condensed financial information
Net position*

	<u>2018</u>	<u>2017</u>
Current assets	\$ 5,268,950	\$ 1,144,194
Capital assets	<u>4,812,905</u>	<u>1,561,562</u>
Total assets	<u>10,081,855</u>	<u>2,705,756</u>
Current and other liabilities	331,582	856,869
Long-term liabilities	<u>960,000</u>	<u>-</u>
Total liabilities	<u>1,291,582</u>	<u>856,869</u>
Net assets:		
Net investment in capital assets	3,852,905	751,562
Unrestricted	<u>4,937,368</u>	<u>1,097,325</u>
Total net position	<u>\$ 8,790,273</u>	<u>\$ 1,848,887</u>

Changes in net position

The Authority's total revenues of \$8,669,477 in 2018 were \$7,672,235 higher than total revenues in 2017 (\$997,242). In 2018, the Authority received contributions from local units, a state grant, and a federal grant that all contributed to the increase. Total 2018 expenses of \$1,728,091 were \$1,403,915 higher than the total 2017 expenses (\$324,176). Expenses increased primarily due to increases in personnel costs and contractual services as the Authority began dispatch operations in October 2018.

Kalamazoo County Consolidated Dispatch Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed financial information
Changes in net position

	<u>2018</u>	<u>2017</u>
Program Revenues:		
Charges for services	\$ 1,213,991	\$ 988,323
Operating grants and contributions	4,795,396	-
Capital grants and contributions	2,650,331	-
General revenues - interest	<u>9,759</u>	<u>8,919</u>
 Total revenues	 <u>8,669,477</u>	 <u>997,242</u>
 Public safety expenses	 1,728,091	 324,176
 Changes in net position	 <u>\$ 6,941,386</u>	 <u>\$ 673,066</u>
 Net position at end of year	 <u>\$ 8,790,273</u>	 <u>\$ 1,848,887</u>

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUND

The Authority's only governmental fund is its General Fund. The General Fund, which is the Authority's operating fund, uses the modified accrual method of accounting, which provides a short-term perspective that measures the flow of financial resources. The fund balance increased by \$4,659,123, as revenues of \$8,704,255 and proceeds from the issuance of debt of \$960,000 exceeded total expenditures of \$5,005,132.

General Fund budgetary highlights

The Authority amended the budget by increasing revenues by \$5,564,282, primarily due to unanticipated federal and state grant awards, and capital build-out funding from local units under the Second Amendment to the Interlocal Agreement that created the Authority. The expenditure budget was increased by \$4,213,995, primarily due to capital purchases that were not anticipated at the beginning of the year. The budget for debt service costs was increased by \$828,201 to reflect a payoff of the short-term loan and interest expenditures on a new loan received in 2017.

Revenues were \$190,890 more than budgeted, with the primary difference occurring in charges for services. Expenditures were \$2,155,688 lower than the amounts appropriated, which was primarily due to lower than anticipated costs for operating the Authority once it went live in October 2018. Debt service costs were under budget as the principal payment of \$810,000 reduced the short-term note payable on the Authority's balance sheet.

The total variances resulted in an \$2,346,578 positive budget variance, with an actual increase in fund balance of \$4,659,123, compared to a budget that anticipated an increase of \$2,312,545 in fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Authority's investment in capital assets as of December 31, 2018, totals \$4,812,905 (net of accumulated depreciation). Capital assets consist of buildings and improvements, equipment, and land. The net increase in capital assets totaled \$3,251,343, including additions of \$3,403,240, which was offset by \$151,897 in depreciation. Major capital asset additions during the year include the following:

- Facility renovations for \$1,061,913
- Equipment for \$1,803,946
- Furniture and fixtures for \$180,476
- Site improvements for \$356,905

More detailed information about the Authority's capital assets is presented in Note 4 of the notes to the basic financial statements.

Debt

The Authority reported \$960,000 in long-term debt at end of the year, which was all new debt incurred during 2018. A short-term note in the amount of \$810,000 was paid off during the fiscal year.

More detailed information about the Authority's long-term debt is presented in Note 7 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's Board of Directors and management consider many factors when setting the annual budget. One of the most important factors affecting the budget is ensuring sufficient funds are available to meet ongoing costs of operation.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Kalamazoo County Consolidated Dispatch Authority
7040 Stadium Drive
Kalamazoo, MI 49009

BASIC FINANCIAL STATEMENTS

Kalamazoo County Consolidated Dispatch Authority

STATEMENT OF NET POSITION

December 31, 2018

ASSETS

Current assets:

Cash	\$ 3,869,442
Accounts receivable	1,333,895
Prepaid items	<u>65,613</u>

Total current assets 5,268,950

Noncurrent assets:

Capital assets not being depreciated	1,177,163
Capital assets, net of accumulated depreciation	<u>3,635,742</u>

Total noncurrent assets 4,812,905

Total assets 10,081,855

LIABILITIES

Current liabilities:

Accounts payable	178,739
Accrued payroll	143,763
Accrued interest	9,080
Current portion - bonds payable	<u>47,345</u>

Total current liabilities 378,927

Noncurrent liabilities - bonds payable 912,655

Total liabilities 1,291,582

NET POSITION

Net investment in capital assets	3,852,905
Unrestricted	<u>4,937,368</u>

Total net position \$ 8,790,273

See notes to financial statements

Kalamazoo County Consolidated Dispatch Authority

STATEMENT OF ACTIVITIES

Year ended December 31, 2018

PROGRAM EXPENSES

Public safety:

Dispatch services	\$ 1,548,913
Depreciation	151,897
Interest	<u>27,281</u>

Total program expenses 1,728,091

PROGRAM REVENUES

Charges for services	1,213,991
Operating grants and contributions	4,795,396
Capital grants and contributions	<u>2,650,331</u>

Total program revenues 8,659,718

Net program expenses 6,931,627

GENERAL REVENUES

Investment return 9,759

CHANGE IN NET POSITION 6,941,386

NET POSITION - BEGINNING 1,848,887

NET POSITION - ENDING \$ 8,790,273

See notes to financial statements

Kalamazoo County Consolidated Dispatch Authority

BALANCE SHEET - governmental funds

December 31, 2018

	<u>General</u>
ASSETS	
Cash	\$ 3,869,442
Accounts receivable	1,333,895
Prepaid items	<u>65,613</u>
Total assets	<u>\$ 5,268,950</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 178,739
Accrued payroll	<u>143,763</u>
Total liabilities	<u>322,502</u>
FUND BALANCES	
Nonspendable	65,613
Unassigned	<u>4,880,835</u>
Total fund balances	<u>4,946,448</u>
Total liabilities and fund balances	<u>\$ 5,268,950</u>
Reconciliation of the balance sheet to the statement of net position:	
Total fund balance - total governmental funds	\$ 4,946,448
Amounts reported for <i>governmental activities</i> in the statement of net position (page 9) are different because:	
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the governmental funds.	4,812,905
Long-term liabilities, consisting of bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(960,000)
Interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.	<u>(9,080)</u>
Net position of <i>governmental activities</i>	<u>\$ 8,790,273</u>

See notes to financial statements

Kalamazoo County Consolidated Dispatch Authority

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds**

Year ended December 31, 2018

	<u>General</u>
REVENUES	
Federal grants	\$ 684,325
State grants	1,966,006
Charges for services	1,206,791
Contributions from local units	4,795,396
Interest and rentals	16,959
Other	<u>34,778</u>
Total revenues	<u>8,704,255</u>
EXPENDITURES	
Current - public safety	1,529,076
Capital outlay	3,457,855
Debt service:	
Interest	<u>18,201</u>
Total expenditures	<u>5,005,132</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,699,123</u>
OTHER FINANCING SOURCES	
Debt proceeds	<u>960,000</u>
NET CHANGES IN FUND BALANCES	4,659,123
FUND BALANCES - BEGINNING	<u>287,325</u>
FUND BALANCES - ENDING	<u><u>\$ 4,946,448</u></u>
Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:	
Net change in fund balance - total governmental funds	\$ 4,659,123
Amounts reported for <i>governmental activities</i> in the statement of activities (page 10) are different because:	
Capital assets:	
Assets acquired	3,403,240
Provision for depreciation	(151,897)
Long-term debt	
Debt proceeds	(960,000)
Change in other assets/liabilities - increase in accrued interest payable	<u>(9,080)</u>
Change in net position of <i>governmental activities</i>	<u><u>\$ 6,941,386</u></u>

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Kalamazoo County Consolidated Dispatch Authority (the Authority) conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

The Authority is a discretely presented component unit Governmental Fund of the County of Kalamazoo, Michigan (the County). The Authority works to provide dispatch and integrated communication of emergency police, fire, and medical services within Kalamazoo County.

The basic financial statements of the Authority do not include other operations of the County.

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 activities of the Authority. Governmental activities are normally supported by contributions from local units and surcharge 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. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Interest and other items not properly included among program revenues are reported instead as general revenues.

Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds 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 if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Authority generally considers revenues to be available if they are expected to be 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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

The Authority reports a single major governmental fund, its General Fund. This fund accounts for all financial resources of the Authority.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, liabilities, and net position:

Cash - Cash is considered to be demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables - All receivables are considered to be fully collectible and are due within one year.

Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items.

Capital assets - Capital assets, which include property, equipment, and vehicles, are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. 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 depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Equipment	5 - 10 years
Software	6 years

Net position - Net position represents the difference between assets and liabilities. The Authority currently reports two categories of net position, net investment in capital assets and unrestricted net position.

Net position flow assumption - Sometimes, the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund equity - Governmental funds report nonspendable fund balances for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact. Restricted fund balances are reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Authority Board retains the authority to assign fund balances as to purpose. Unassigned fund balances are amounts that do not fall into any other category above. When the Authority incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Authority's policy to use the restricted fund balance first, then assigned fund balance and, finally, unassigned fund balance.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

NOTE 2- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The budget document presents information by function and line-item. The legal level of budgetary control adopted by the governing body is the function level. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. There were no reportable budget variances during the current year.

NOTE 3 - CASH

State statutes and the Authority’s investment policy authorize the Authority to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Authority’s deposits are in accordance with statutory authority. As of December 31, 2018, the Authority had deposits with a carrying amount of \$3,869,442.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Authority will not be able to recover its deposits. The Authority’s investment policy does not specifically address custodial credit risk for deposits. At December 31, 2018, \$3,725,796 of the Authority’s bank balances of \$3,975,796 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 294,273	\$ -	\$ -	\$ 294,273
Construction in progress	<u>220,360</u>	<u>870,490</u>	<u>(207,960)</u>	<u>882,890</u>
Total capital assets not being depreciated, net	<u>514,633</u>	<u>870,490</u>	<u>(207,960)</u>	<u>1,177,163</u>
Capital assets being depreciated:				
Buildings and improvements	1,055,727	1,451,618	-	2,507,345
Equipment and furnishings	<u>-</u>	<u>1,289,092</u>	<u>-</u>	<u>1,289,092</u>
Subtotal	<u>1,055,727</u>	<u>2,740,710</u>	<u>-</u>	<u>3,796,437</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,798)	(71,455)	-	(80,253)
Equipment and furnishings	<u>-</u>	<u>(80,442)</u>	<u>-</u>	<u>(80,442)</u>
Subtotal	<u>(8,798)</u>	<u>(151,897)</u>	<u>-</u>	<u>(160,695)</u>
Total capital assets being depreciated, net	<u>1,046,929</u>	<u>2,588,813</u>	<u>-</u>	<u>3,635,742</u>
Governmental activities capital assets, net	<u>\$ 1,561,562</u>	<u>\$ 3,459,303</u>	<u>\$ (207,960)</u>	<u>\$ 4,812,905</u>

All depreciation expense was charged to the public safety function.

Kalamazoo County Consolidated Dispatch Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits provided to employees. The Authority has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. During the past period, settlements did not exceed insurance coverage.

NOTE 6 - SHORT-TERM NOTE PAYABLE

At December 31, 2017, the Authority had an \$810,000 short-term bank note outstanding dated September 7, 2017. The note, with an interest rate of 3.50%, matured March 7, 2018.

Short-term note payable activity for the year ended December 31, 2018, was as follows:

<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
\$ 810,000	\$ -	\$ (810,000)	\$ -

NOTE 7 - LONG-TERM OBLIGATIONS

At December 31, 2018, long-term obligations consist of a contract payable, \$960,000, payable in annual installments ranging from \$82,483 to \$83,828, including interest at 1.89%; final payment due April 2033.

Long-term obligation activity for the year ended December 31, 2018, was as follows:

<u>Description</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
2018 contract payable	\$ -	\$ 960,000	\$ -	\$ 960,000	\$ 47,345

Debt service requirements at December 31, 2018, are as follows:

<u>Year ended</u>	<u>Governmental activities</u>	
<u>December 31:</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 47,345	\$ 35,137
2020	49,360	33,460
2021	51,375	32,453
2022	52,382	30,630
2023	55,404	27,935
2024-2028	319,328	95,588
2029-2033	384,806	31,061
Totals	<u>\$ 960,000</u>	<u>\$ 286,264</u>

NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN

The Authority provides pension benefits for the executive director through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The executive director is eligible to participate after the date of hire. The Authority contributes an amount equal to 10% and the executive director has the option to contribute. The Authority’s contributions for the executive director (and interest allocated to the employee's account) are fully vested upon entering the plan. The Authority made the required contributions of \$6,597, for the year ended December 31, 2018. At December 31, 2018, the Authority reported an accrued liability of \$275 as part of the contributions to the plan. The Authority is not a trustee of the plan, nor is the Authority responsible for investment management of plan assets.

The Authority also provides pension benefits for all employees except the executive director through a defined contribution plan. The employees are eligible to participate after the date of hire. The Authority contributes an amount equal to 5% and the employees have the option to contribute. The Authority will match employee contributions up to a maximum of an additional 3%. The Authority’s contributions for the employees (and interest allocated to the employee's account) are fully vested upon the completion of two years of service. The Authority made the required contributions of \$50,945, for the year ended December 31, 2018. At December 31, 2018, the Authority reported an accrued liability of \$9,150 as part of the contributions to the plan. The Authority is not a trustee of the plan, nor is the Authority responsible for investment management of plan assets.

NOTE 9 - DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The assets of the plan were held in trust (custodial accounts), as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial accounts for the beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Authority’s financial statements.

NOTE 10 - COMMITMENT

At December 31, 2018, the Authority had the following contractual construction commitment:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended through December 31, 2018</u>	<u>Remaining Commitment</u>
County/Metro Fire Buildout	\$ 1,088,113	\$ 870,490	\$ 217,623

This project is being funded by contributions from local units.

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE

During 2018, the Authority changed its method of accounting for fund based statements from the full accrual method of accounting to the modified accrual method of accounting. The Authority determined that the dispatch activities no longer met the criteria to be reported as an enterprise fund. The effect of the change is explained in the table below.

Net position - enterprise fund, as previously reported	\$ 1,848,887
Change in accounting principle:	
Remove capital assets, net	<u>(1,561,562)</u>
Fund balance - governmental fund, as restated	<u>\$ 287,325</u>

REQUIRED SUPPLEMENTARY INFORMATION

Kalamazoo County Consolidated Dispatch Authority

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Federal grants	\$ -	\$ 684,325	\$ 684,325	\$ -
State grants	-	1,966,006	1,966,006	-
Charges for services	1,156,667	1,044,107	1,206,791	162,684
Contributions from local units	1,791,666	4,795,396	4,795,396	-
Interest and rentals	750	15,200	16,959	1,759
Other	-	8,331	34,778	26,447
	<u>2,949,083</u>	<u>8,513,365</u>	<u>8,704,255</u>	<u>190,890</u>
Total revenues				
EXPENDITURES				
Public safety:				
Personnel costs	1,547,183	1,078,154	756,136	322,018
Employee benefits	703,143	540,170	280,210	259,960
Contractual services	355,024	561,958	368,684	193,274
Professional services	65,000	65,000	19,085	45,915
Insurance	20,000	15,000	4,922	10,078
Travel	35,000	44,500	8,050	36,450
Supplies	23,000	23,000	12,769	10,231
Utilities	89,475	78,475	39,379	39,096
Miscellaneous	79,000	92,522	39,841	52,681
	<u>2,916,825</u>	<u>2,498,779</u>	<u>1,529,076</u>	<u>969,703</u>
Total public safety				
Capital outlay	<u>30,000</u>	<u>3,833,840</u>	<u>3,457,855</u>	<u>375,985</u>
Debt service:				
Principal	-	810,000	-	810,000
Interest	-	18,201	18,201	-
	<u>2,946,825</u>	<u>7,160,820</u>	<u>5,005,132</u>	<u>2,155,688</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,258</u>	<u>1,352,545</u>	<u>3,699,123</u>	<u>2,346,578</u>
OTHER FINANCING SOURCES				
Debt proceeds	-	960,000	960,000	-
NET CHANGES IN FUND BALANCES	2,258	2,312,545	4,659,123	2,346,578
FUND BALANCES - BEGINNING	<u>287,325</u>	<u>287,325</u>	<u>287,325</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 289,583</u>	<u>\$ 2,599,870</u>	<u>\$ 4,946,448</u>	<u>\$ 2,346,578</u>

INDEPENDENT AUDITOR'S 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

Board of Directors
Kalamazoo County Consolidated Dispatch Authority
Kalamazoo, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Kalamazoo County Consolidated Dispatch Authority (the Authority), a discretely presented component unit Governmental Fund of the County of Kalamazoo, Michigan, as of and for the year ended December 31, 2018, 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, 2019.

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 Authority'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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we have identified deficiencies in internal control that we consider to be material weaknesses.

Finding 2019-001 - Financial statement preparation

Condition and criteria: All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).

As is the case with many small and medium-sized governmental units, the Authority relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Authority's internal controls.

Cause: This condition was caused by the Authority's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Authority to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Authority lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

Auditor's Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to prepare a draft of the Authority's annual financial statements versus contracting with its auditor for these services.

Management Response: Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements in accordance with GAAP, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

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 grants, 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*.

Board of Directors
Kalamazoo County Consolidated Dispatch Authority
Kalamazoo, Michigan
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Authority's Response to Findings

The Authority's response to the internal control finding identified above was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Siegfried Crandall P.C.". The signature is written in a cursive style with a large initial 'S'.

May 9, 2019