

Calhoun County  
Consolidated  
Dispatch Authority



Year Ended  
December 31, 2013

Financial  
Statements

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# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Position and General Fund Balance Sheet	12
Reconciliation - Fund Balance for General Fund to Net Position of Governmental Activities	13
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance	14
Reconciliation - Net Change in Fund Balance of General Fund to Change in Net Position of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	16
Notes to Financial Statements	18
Required Supplementary Information	
Schedules of Funding Progress and Employer Contributions - Defined Benefit Pension Plan	26



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**INDEPENDENT AUDITORS' REPORT**

May 14, 2014

Board Members  
Calhoun County Consolidated Dispatch Authority  
Marshall, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the *Calhoun County Consolidated Dispatch Authority* (the "Authority") as of and for the year ended December 31, 2013, 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. 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 the major fund of the Calhoun County Consolidated Dispatch Authority as of December 31, 2013, 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 and the schedules of funding progress and employer contributions, 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.

*Rehmann Lobson LLC*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Management's Discussion and Analysis

### Introduction

The following is a narrative overview and analysis of the financial activities of the Calhoun County Consolidated Dispatch Authority (the "Authority") for the year ending December 31, 2013. We encourage readers to consider the information presented in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

The Calhoun County Consolidated Dispatch Authority assumed Public Safety Answering Point (PSAP) responsibilities for the geographic region of Calhoun County on March 24th, 2010. This responsibility of operations was assumed based on an intergovernmental (interlocal) agreement authorized in August 2008 and the revised Calhoun County Final E9-1-1 Services Plan.

### Financial Highlights

- Assets of the Authority exceeded its liabilities by \$6,052,495.
  - ✓ Net investment in capital assets - \$5,060,038.
  - ✓ Unrestricted - \$992,457.
  
- Calhoun County Consolidated Dispatch Authority had a decrease in net position in 2013 of \$265,364.
  
- The Authority began the fiscal year 2013 with a fund balance of \$1,290,327 in the general fund. The end of year fund balance was \$1,043,856, a decrease of \$246,471.

### General Overview

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The financial statements are comprised of four (4) components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements, and
4. Required Supplementary Information

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



# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Management's Discussion and Analysis

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Calhoun County Consolidated Dispatch 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 Calhoun County Consolidated Dispatch Authority and may, over time, be a useful indicator of the financial stability of the Authority. In this case, the Authority's net position exceeded its liabilities.

The *Statement of Activities* presents information showing how the Calhoun County Consolidated Dispatch Authority's position changed during fiscal year 2013.

### 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 Calhoun County Consolidated Dispatch Authority's near-term financing requirements.

Since the focus of governmental funds 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 Calhoun County Consolidated Dispatch Authority's near-term financial decisions.

The Calhoun County Consolidated Dispatch Authority maintains one fund (the general fund). Information is presented in the General Fund Balance Sheet and in the Statement of Revenues, Expenditures and Change in Fund Balance for the Authority. The general fund is a major fund for financial reporting purposes as defined by Governmental Accounting Standards Board (GASB) - Statement 34.

The Calhoun County Consolidated Dispatch Authority adopts an annual appropriated budget for its fund. Budgetary comparison statements have been provided herein to demonstrate compliance with this budget.

It should be noted that the Calhoun County Consolidated Dispatch Authority does not maintain proprietary or fiduciary funds.

# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Management's Discussion and Analysis

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Calhoun County Consolidated Dispatch Authority's financial statements. The notes to the financial statements are part of the basic financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*, which consists of the management's discussion and analysis and the schedules of funding progress and employer contributions.

### Government-wide Financial Analysis

As previously stated, net position may serve to be a useful indicator of the Calhoun County Consolidated Dispatch Authority's financial position over time. In the case of the Authority, assets exceeded liabilities by \$6,052,495 at the close of the most recent fiscal year.

Revenue of the Calhoun County Consolidated Dispatch Authority is classified under two categories: charges for services and other revenue.

#### *Charges for Services*

Charges for services generated \$3,552,119 of revenue in 2013. This equates to 99% of the Authority's total revenue. Charges for services are classified into four separate subcategories: *Local 9-1-1 Surcharge*, *State 9-1-1 Surcharge*, *Local Service Charges*, and *Employee Benefits*.

#### *Local 9-1-1 Surcharge*

*Local 9-1-1 Surcharge* is a monthly surcharge assessed and collected by telecommunication service providers and remitted to Calhoun County. The *Local 9-1-1 Surcharge* of .60 cents per device, per month generated a total of \$810,149 for calendar year 2013.

#### *State 9-1-1 Surcharge*

The *State 9-1-1 Surcharge* is \$.19 per device per month. This surcharge is collected by telecommunication providers and remitted to the State of Michigan. 82.5% of the revenue generated by the state surcharge is distributed to counties based upon a formula prescribed by the State of Michigan: 60% per capita and 40% equally. Another 6% is made available to Public Safety Answering Points (PSAPs) for training personnel assigned to 9-1-1 centers. This intergovernmental revenue generated \$345,336, of which \$38,056 is designated for training expenditures approved by the State 9-1-1 Committee. It should be noted that \$11,592 of these training fund monies were unspent in 2013 and were deferred to 2014 in the financial statements under Unearned revenues.

# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Management's Discussion and Analysis

### *Local Service Charge*

Charges invoiced by the Authority to various local units of government for dispatch service and data sharing projects. These charges generated \$2,412,374.

These revenues are utilized by the Authority for the purpose of PSAP and dispatch center operations and capital.

### *Employee Benefits*

These funds are used for payment of various employee benefits which include health, dental, life, disability, and unemployment compensation claims. Monies classified as revenues in this subcategory are employee and employer cost shares based on actuarial and management estimates. Expenses in this account for 2013 totaled \$4,149.

### *Other Revenues*

Other revenues totaled \$19,232. This amount includes \$676 from Freedom of Information Act requests, a distribution of net assets (insurance pool) from Michigan Municipal Risk Management Authority totaling \$3,370, \$14,514 from Firekeepers Local Revenue Sharing Board for past dispatch services, and interest and dividends totaling \$672.

These revenues are utilized by the Authority for the purpose of PSAP and dispatch center operations and capital.

	Net Position	
	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 1,575,045	\$ 1,250,439
Accounts receivable	200,060	209,256
Other assets	109,599	76,787
Capital assets being depreciated, net	6,195,038	6,376,615
<b>Total assets</b>	<b>8,079,742</b>	<b>7,913,097</b>
<b>Liabilities</b>		
Accounts payable	347,811	158,677
Accrued liabilities	104,981	91,421
Unearned revenue	393,032	-
Long term liabilities:		
Due within one year	540,000	440,000
Due in more than one year	641,423	905,140
<b>Total liabilities</b>	<b>2,027,247</b>	<b>1,595,238</b>
<b>Net position</b>		
Net Investment in capital assets	5,060,038	5,076,615
Unrestricted net position	992,457	1,241,244
<b>Total net position</b>	<b>\$ 6,052,495</b>	<b>\$ 6,317,859</b>

# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Management's Discussion and Analysis

The Calhoun County Consolidated Dispatch Authority's decrease in net position during 2013 is due to the distribution of refunds/rebates issued to the signatories of the interlocal agreement totaling \$300,000. The change in net position was (\$265,364) in 2013 and was \$67,817 in 2012.

A comparative analysis of the data is presented below:

	Changes in Net Position	
	2013	2012
Revenues		
Charges for services	\$ 3,552,119	\$ 3,549,147
Intergovernmental revenues	-	28,873
Other revenue	19,232	11,887
<b>Total revenues</b>	<b>3,571,351</b>	<b>3,589,907</b>
Expenditures		
Public safety	3,788,362	3,457,435
Debt service - interest	48,353	64,655
<b>Total expenditures</b>	<b>3,836,715</b>	<b>3,522,090</b>
<b>Net change in net position</b>	<b>(265,364)</b>	<b>67,817</b>
<b>Net position, beginning of the year</b>	<b>6,317,859</b>	<b>6,250,042</b>
<b>Net position, end of year</b>	<b>\$ 6,052,495</b>	<b>\$ 6,317,859</b>

### Financial Analysis of the Authority's Funds

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

#### *Governmental/General Fund*

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.

# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Management's Discussion and Analysis

At December 31, 2013, the Authority's general fund reported a fund balance of \$1,043,856; all of which is unassigned.

### Budget

The original budget was amended once additional information about funding sources and expenditures became known. Adjustments to the original budget were not significant in 2013. During 2013, general fund revenues were less than budgeted amounts by \$50,082 primarily because of a decrease in Local 9-1-1 surcharge revenues (Charges for Services).

Actual Public Safety expenditures were \$3,605,502 which were less than the final budgeted amount of \$3,951,952.

### Capital Assets

As of December 31, 2013, the Authority's book value of capital assets totaled \$6,195,038. Capital asset activity for the year is detailed in Note 3 of the Notes to Financial Statements.

### Long-term Debt

As of December 31, 2013, the Authority's long-term debt totaled \$1,181,423. This debt is comprised of a capital lease and loan payable, and is more fully explained in Note 4 of the Notes to Financial Statements.

### Requests for Information

This financial report is designed to provide a general overview of the Calhoun County Consolidated Dispatch Authority's finances for all those with an interest in the finances of the Authority. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jeff Troyer, Executive Director, Calhoun County Consolidated Dispatch Authority, 315 West Green Street, Marshall, MI 49068.

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## BASIC FINANCIAL STATEMENTS

# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Statement of Net Position and General Fund Balance Sheet

December 31, 2013

	General Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 1,575,045	\$ -	\$ 1,575,045
Accounts receivable	200,060	-	200,060
Due from other governments	73,599	-	73,599
Other assets	36,000	-	36,000
Capital assets being depreciated, net	-	6,195,038	6,195,038
<b>Total assets</b>	<b>\$ 1,884,704</b>	<b>\$ 6,195,038</b>	<b>\$ 8,079,742</b>
<b>Liabilities</b>			
Accounts payable	\$ 347,811	\$ -	\$ 347,811
Accrued liabilities	100,005	4,976	104,981
Unearned revenue	393,032	-	393,032
Long-term liabilities:			
Due within one year	-	540,000	540,000
Due in more than one year	-	641,423	641,423
<b>Total liabilities</b>	<b>840,848</b>	<b>1,186,399</b>	<b>2,027,247</b>
<b>Fund balance</b>			
Unassigned	1,043,856	(1,043,856)	-
<b>Total liabilities and fund balance</b>	<b>\$ 1,884,704</b>		
<b>Net position</b>			
Net investment in capital assets		5,060,038	5,060,038
Unrestricted		992,457	992,457
<b>Total net position</b>		<b>\$ 6,052,495</b>	<b>\$ 6,052,495</b>

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



# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Reconciliation

Fund Balance for General Fund  
to Net Position of Governmental Activities  
December 31, 2013

Fund balance - general fund	\$ 1,043,856
Amounts reported for <i>governmental activities</i> 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.	6,195,038
Long-term liabilities are not due and payable in the current period and are not reported in the funds -	
Loan payable	(250,000)
Capital lease payable	(885,000)
Certain liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the fund:	
Compensated absences payable	(46,423)
Accrued interest payable	(4,976)
Net position of governmental activities	<u>\$ 6,052,495</u>

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

# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Statement of Activities and

General Fund Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended December 31, 2013

	General Fund	Adjustments	Statement of Activities
Expenditures / expenses			
Public safety	\$ 3,605,502	\$ 182,860	\$ 3,788,362
Debt service:			
Principal	415,000	(415,000)	-
Interest and fiscal charged	47,320	1,033	48,353
Total expenditures	<u>4,067,822</u>	<u>(231,107)</u>	<u>3,836,715</u>
Program revenues			
Charges for services	<u>3,552,119</u>	<u>-</u>	<u>3,552,119</u>
Net program revenues			(284,596)
General revenues			
Other revenue	<u>19,232</u>	<u>-</u>	<u>19,232</u>
Other financing sources			
Proceeds from issuance of long-term loan payable	<u>250,000</u>	<u>(250,000)</u>	<u>-</u>
Net change in fund balance/net position	(246,471)	(18,893)	(265,364)
Fund balance/net position, beginning of year	<u>1,290,327</u>	<u>5,027,532</u>	<u>6,317,859</u>
Fund balance/net position, end of year	<u>\$ 1,043,856</u>	<u>\$ 5,008,639</u>	<u>\$ 6,052,495</u>

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

# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Reconciliation

Net Change in Fund Balance of General Fund  
to Change in Net Position of Governmental Activities  
For the Year Ended December 31, 2013

Net change in fund balance - general fund \$ (246,471)

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. Also, in the governmental funds, proceeds on sale of capital assets are recorded as revenues, whereas in the statement of activities the gain or loss on the sale is recorded.

Capital outlay	666,770
Depreciation expense	(848,347)

Loan and capital lease proceeds provide current financial resources in the period issued whereas issuing loans and lease borrowing increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the funds but not in the statement of activities.

Proceeds from issuance of long-term loan payable	(250,000)
Lease purchase installment payments	415,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in compensated absences payable	(1,283)
Change in accrued interest	(1,033)

Change in net position of governmental activities	\$ (265,364)
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The accompanying notes are an integral part of these financial statements.

# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

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

Budget and Actual - General Fund

For the Year Ended December 31, 2013

	Budget Amount		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 3,620,983	\$ 3,620,983	\$ 3,552,119	\$ (68,864)
Other revenue	450	450	19,232	18,782
Total revenues	<u>3,621,433</u>	<u>3,621,433</u>	<u>3,571,351</u>	<u>(50,082)</u>
Expenditures				
Public safety	3,156,050	3,951,952	3,605,502	(346,450)
Debt service:				
Principal	415,000	415,000	415,000	-
Interest expense	47,320	47,320	47,320	-
Total expenditures	<u>3,618,370</u>	<u>4,414,272</u>	<u>4,067,822</u>	<u>(346,450)</u>
Revenues over (under) expenses	3,063	(792,839)	(496,471)	296,368
Other financing sources				
Proceeds from issuance of long-term loan payable	-	250,000	250,000	
Net change in fund balance	3,063	(542,839)	(246,471)	296,368
Fund balance, beginning of year	<u>1,290,327</u>	<u>1,290,327</u>	<u>1,290,327</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,293,390</u>	<u>\$ 747,488</u>	<u>\$ 1,043,856</u>	<u>\$ 296,368</u>

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

## NOTES TO FINANCIAL STATEMENTS

# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Notes To Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Calhoun County Consolidated 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 Calhoun County Consolidated Dispatch Authority was formed by an intergovernmental agreement between the City of Marshall, the City of Albion, the City of Battle Creek, and the County of Calhoun effective January 1, 2009. The Authority is a legal entity, separate and independent from the participating municipalities mentioned previously. The Authority is governed by a 9-member governing board of directors.

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. Through the intergovernmental agreement, the County has provided that all such revenue be provided to the Authority. The County is to levy the surcharge at a rate no less than the rate approved by the Michigan Public Service Commission on June 3, 2008. 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 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 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 position and the general fund and the statement of activities. The general fund is considered to be a major fund for financial reporting purposes.

# CALHOUN COUNTY CONSOLIDATED 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 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.

Governmental fund (general fund) financial statements (general fund balance sheet and general fund revenues, 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major governmental fund:

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

### Budgetary Data

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

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 on the same basis of accounting used in preparing the adopted budget.

# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Notes To Financial Statements

### Assets, Liabilities and Equity

#### *Cash, Investments and Accrued Interest*

One cash account of the Authority is combined in the County of Calhoun, Michigan's pooled cash and investment system which is managed by the County Treasurer. Investments of the system are reported at fair value or amortized cost, as appropriate. Other cash accounts consist of demand deposits.

#### *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, 2013.

#### *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Leasehold improvements	Various
Equipment	5-10

#### *Fund Balance Components*

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 require to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. As applicable, committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action if the government's highest level of decision making authority, the Board of the Authority. As applicable, 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.



# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Notes To Financial Statements

### 2. DEPOSITS AND INVESTMENTS

A reconciliation of cash as shown on the Statement of Net Position to deposits as classified for note disclosure purposes is as follows:

Statement of Net Position	
Cash and cash equivalents	<u>\$ 1,575,045</u>
Classification of Deposits	
Cash held by Authority	\$ 1,061,533
Cash held in pooled account of Calhoun County	<u>513,512</u>
	<u>\$ 1,575,045</u>

The Authority follows the investment policy of the County. The amount shown as cash and cash equivalents on the statement of net position and general fund balance sheet consist of amounts held in the Calhoun County pooled account and amounts held by the Authority. Custodial credit risk for cash held by the County cannot be determined because Authority deposits/investments in the pool are not specifically identifiable. Information regarding interest rate risk and credit risk can be found in the County of Calhoun, Michigan's Comprehensive Annual Financial Report.

For deposits held by the Authority at year end, \$811,533 of the bank balance of \$1,061,533 was exposed to custodial credit risk because the amount was uninsured and uncollateralized.

### 3. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets being depreciated:				
Leasehold improvements	\$ 773,816	\$ -	\$ -	\$ 773,816
Equipment	7,613,029	666,770	-	8,279,799
	<u>8,386,845</u>	<u>666,770</u>	<u>-</u>	<u>9,053,615</u>
Less accumulated depreciation for:				
Leasehold improvements	(96,727)	(38,691)	-	(135,418)
Equipment	(1,913,503)	(809,656)	-	(2,723,159)
	<u>(2,010,230)</u>	<u>(848,347)</u>	<u>-</u>	<u>(2,858,577)</u>
Total capital assets being depreciated, net	<u>6,376,615</u>	<u>(181,577)</u>	<u>-</u>	<u>6,195,038</u>
Capital assets, net	<u>\$ 6,376,615</u>	<u>\$ (181,577)</u>	<u>\$ -</u>	<u>\$ 6,195,038</u>

Depreciation expense was charged to the public safety function.

# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Notes To Financial Statements

### 4. LONG-TERM DEBT

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Capital lease	\$ 1,300,000	\$ -	\$ (415,000)	\$ 885,000	\$ 435,000
Loan payable	-	250,000	-	250,000	80,000
Compensated absences	45,140	92,381	(91,098)	46,423	25,000
<b>Total</b>	<b>\$ 1,345,140</b>	<b>\$ 342,381</b>	<b>\$ (506,098)</b>	<b>\$ 1,181,423</b>	<b>\$ 540,000</b>

#### *Capital Lease*

In 2010, the Authority entered into a lease agreement with the City of Battle Creek for various dispatch equipment in the amount of \$2,395,190, which represented the remaining principal balance owed on the equipment when the lease obligation was transferred to the Authority. This agreement took over an existing municipal purchase agreement the City had with Motorola dated February 24, 2006. The remaining principal balance at December 31, 2013 is \$885,000.

#### *Loan Payable*

In 2013, the Authority entered into a loan agreement with the City of Battle Creek for various dispatch equipment in the amount of \$250,000.

Annual debt service requirement to maturity for the capital lease and loan payable is as follows:

Year Ended December 31,	Capital Lease		Loan Payable	
	Principal	Interest	Principal	Interest
2014	\$ 435,000	\$ 47,320	\$ 80,000	\$ 4,583
2015	450,000	32,214	85,000	3,400
2016	-	-	85,000	1,700
	<b>\$ 885,000</b>	<b>\$ 79,534</b>	<b>\$ 250,000</b>	<b>\$ 9,683</b>

#### *Compensated Absences*

Employees begin accumulating paid time off upon date of hire. Any accumulated vacation pay is paid upon termination.

### 5. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries, as well as medical benefits provided to employees. The Authority has purchased commercial insurance for the above risks of loss. Settled claims have not exceeded insurance coverage since the creation of the Authority.

# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Notes To Financial Statements

### 6. NET POSITION

The caption "Net investment in capital assets" included in Net Position is comprised of the book value of capital assets of \$6,195,038, less a long-term debt related to these capital assets of \$1,135,000.

### 7. DEFINED BENEFIT PENSION PLAN

#### *Plan Description*

The Authority's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Authority participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

#### *Funding Policy*

The Authority is required to contribute and maintain the system based on an obligation established by board approval and requires a contribution from employees of three groups of 2.0% or 4.16% and 7.3%, respectively. The contribution requirements of plan members, are established and may be amended by the Authority Board.

#### *Annual Pension Cost*

For the year ended December 31, 2013, the Authority contributed an amount of \$12,000 to MERS which was equal to the Authority's required and actual contributions. The actuarial report for December 31, 2012 set forth new contribution levels for the Authority's three groups for the year beginning January 1, 2013. Annually, a required contribution is determined using the entry age actuarial cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 13% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2012, the date of the latest actuarial report, was 30 years for underfunded accrued liabilities.

# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Notes To Financial Statements

### *Funding Status and Funding Progress*

As of December 31, 2012, the most recent actuarial valuation date, the plan was 129 percent funded. The actuarial accrued liability for benefits was \$3,859,789, and the actuarial value of assets was \$4,971,915, resulting in an overfunded actuarial accrued liability (AAL) of \$1,112,126. The covered payroll (annual payroll of active employees covered by the plan) was \$1,150,599, and the ratio of the overfunded AAL to the covered payroll was 97 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## 8. DEFINED CONTRIBUTION PENSION PLAN

The Authority's Pension Plan is a defined contribution pension plan established by the Authority to provide retirement benefits to all participating full-time employees of the Authority. Plan provisions and contribution requirements are established and may be amended by the Authority Board. The Authority is required to contribute 7% to 14% of employee gross earnings. Employees may make optional contributions subject to limitations of Sections 415 of the Internal Revenue Code. Employer contributions vest after 3 years of service.

For the year ended December 31, 2013, the Authority's contribution to the Plan was \$42,898.

## 9. OFFICE SPACE LEASE

The Authority has entered into a lease for office space with Calhoun County through December 2029, with monthly payments of \$400 from 2014 through 2018; \$450 from 2019 through 2024; and \$594 from 2025 through 2029. Scheduled future minimum lease obligations as of December 31, 2013, are summarized as follows:

Year	Amount
2014	\$ 4,800
2015	4,800
2016	4,800
2017	4,800
2018	4,800
2019-2023	27,000
2024-2028	33,912
2029	<u>7,128</u>
	<u>\$ 24,000</u>

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## REQUIRED SUPPLEMENTARY INFORMATION

# CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY

## Required Supplementary Information Defined Benefit Pension Plan

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	(Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2011	\$ 4,568,450	\$ 3,647,288	\$ (921,162)	125%	\$ 1,131,001	-81.4%
12/31/2012	4,971,915	3,859,789	(1,112,126)	129%	1,150,599	-96.7%

### Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2011	\$ 186,366	100%
2012	121,381	100%
2013	12,000	100%