CALHOUN COUNTY CONSOLIDATED DISPATCH AUTHORITY
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2016

GABRIDGE & CO

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INDEPENDENT AUDITOR'S REPORT

Board Members of the Calhoun County Consolidated Dispatch Authority
Marshall, Michigan

Report on the Financial Statements

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, 2016, 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.

Auditor's 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 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 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 Authority, as of December 31, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, and budgetary comparison information 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.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, Michigan
June 27, 2017

Management's Discussion and Analysis

Calhoun County Consolidated Dispatch Authority
Management's Discussion and Analysis

As management of Calhoun County Consolidated 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, 2016. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements that follow this section.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by $6,278,842 (net position). Of this amount, $2,057,158 represents unrestricted net position, which may be used to meet the Authority's ongoing obligations to citizens and creditors.

- At the close of the current fiscal year, the Authority's general fund reported fund balance of $1,563,939, an increase of $462,703 in comparison with the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $1,548,023, or approximately 51.6% of annual general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: the financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial statements. The financial statements are presented in a columnar format. The Authority maintains only one fund, a governmental fund (operating, or general, fund) that is presented in the first column (*governmental funds* financial statements) and is prepared on the modified accrual basis of accounting. These fund financial statements present a short-term view and tell how resources were spent during the year as well as what remains for future spending. Such financial information may be helpful in evaluating the Authority's near-term financing requirements.

The second column in the financial statements presents the adjustments necessary to reconcile the *governmental funds* financial statements to the *governmental activities* financial statements (s*tatement of net position* and *statement of activities*) presented in the third column.

These *governmental activities* financial statements are designed to provide the readers with a broad view of the Authority's finances, in a manner similar to a private-sector business and, therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the Authority's finances and whether the full cost of government services have been funded.

The two governmental activities statements are as follows:

- The *statement of net position* presents information on all of the Authority's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as *net position*. 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 result in cash flows in different fiscal periods.

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

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental fund and governmental activities financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting budgetary comparisons for the Authority's general fund.

Government-wide Overall Financial Analysis

The following table shows, in a condensed format, the net position of the Authority as of December 31, 2016 and 2015:

	2016	2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 1,440,952	$ 1,382,892
Accounts Receivable	190,762	190,449
Due from Other Governments	78,875	79,152
Total Current Assets	1,710,589	1,652,493
Noncurrent Assets		
Capital Assets, Net	4,205,768	4,904,162
Net Pension Asset	-	630,965
Total Assets	5,916,357	7,187,620
DEFERRED OUTFLOWS OF RESOURCES		
Pension	761,221	84,762
Total Deferred Outflows of Resources	761,221	84,762
LIABILIITES		
Current Liabilities		
Accounts Payable	38,525	119,852
Accrued Salaries and Payroll Taxes	62,008	41,990
Unearned Revenue	46,117	389,415
Current Portion of Compensated Absences	20,000	20,000
Total Current Liabilities	166,650	571,257
Noncurrent Liabilities		
Compensated Absences	20,988	19,097
Net Pension Liability	211,098	-
Total Liabilities	398,736	590,354
NET POSITION		
Net Investment in Capital Assets	4,205,768	4,904,162
Restricted	15,916	7,746
Unrestricted	2,057,158	1,770,120
Total Net Position	$ 6,278,842	$ 6,682,028

The Largest portion of the Authority's net position (67%) reflects its investment in capital assets (e.g., buildings, machinery, equipment, and vehicles), less any related outstanding debt that was used to acquire those assets. The Authority uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the Authority's net position, $15,916, is restricted for training. The remaining balance of $2,057,158 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Authority is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

The Authority reported significantly less unearned revenue as of December 31, 2016 compared to December 31, 2015. This decrease was a result of significantly less collections in December 2016 of advance payments from participating local units for 2017 services to be provided compared to the amount of advance collections received during December 2015 for 2016 services.

The Authority's net pension asset from 2015 was replaced with a net pension liability as of December 31, 2016. The return on plan assets was much lower than expected during the year and the actuarial assumptions were updated in preparing the most recent actuarial valuation. These are the most significant reasons for the increase in the Authority's pension liability during 2016. Further, the Authority reported a pension related deferred outflow of $761,221 as of December 31, 2016 as the changes in assumptions and lower-than-expected investment earnings will be amortized over the next four years as required by Governmental Accounting Standards Board Statement No. 68, the new pension reporting standard.

The following analysis highlights the changes in net position for the years ended December 31, 2016 and 2015:

	2016	2015
Revenue		
Charges for Services	$ 3,462,572	$ 3,616,662
Interest	2,018	1,159
Other	-	16,306
Total Revenues	3,464,590	3,634,127
Expenses		
Public Safety	3,867,776	3,767,158
Change in Net Position	(403,186)	(133,031)
Net Position at Beginning of Period	6,682,028	6,815,059
Net Position at End of Period	$ 6,278,842	$ 6,682,028

Revenues were down during 2016 compared to 2015 largely as a result of a $220,083 decrease in 911 surcharges received during 2016. Expenses during 2016 increased over 2015 because the Authority had to recognize an additional $139,664 of pension expense in 2016 compared to 2015 as a result of lower than expected investment returns on the Authority's pension plan assets and significant changes in pension plan assumptions regarding future plan performance.

Financial Analysis of Governmental 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 *governmental funds* 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, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Authority itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Authority's Board.

The general fund is the operating fund of the Authority. At the end of the current fiscal year, fund balance of the general fund was $1,563,939, of which $15,916 is restricted for training. Fund balance of the general fund increased by $462,073 from the prior year. Unassigned fund balance of $1,548,023 represents approximately 51.6 percent of annual general fund expenditures.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase the original estimated revenues or budget appropriations, the Authority did make minor amendments to allow for capital outlay related to ongoing system upgrades.

Final budget compared to actual results. During the current fiscal year the Authority had no expenditures in excess of appropriations.

Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets as of December 31, 2016 amounted to $4,205,768 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements and equipment.

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

Long-term Debt

As of December 31, 2016 the Authority's long-term debt only consisted of compensated absences of $40,988.

Additional information on the Authority's long-term debt can be found in the notes to the financial statements.

Next Year's Budget

Economic Condition and Outlook

Management estimates that $3,500,000 of revenues will be available for appropriation in the general fund in the upcoming year. The Authority continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2017, the Authority plans again to use current revenues to provide essential services and to maintain the Authority's financial reserves at similar levels.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority's Administration Director.

Calhoun County Consolidated Dispatch Authority
315 West Green Street
Marshall, MI 49068

Basic Financial Statements

Calhoun County Consolidated Dispatch Authority
Governmental Funds Balance Sheet / Statement of Net Position
December 31, 2016

	General Fund		Adjustments	Statement of Net Position
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 1,440,952			$ 1,440,952
Accounts Receivable	190,762			190,762
Due from Other Governments	78,875			78,875
Total Current Assets	1,710,589			1,710,589
Noncurrent Assets				
Capital Assets Not Being Depreciated	--	(1)	141,399	141,399
Capital Assets Being Depreciated	--	(1)	4,064,369	4,064,369
Total Assets	1,710,589			5,916,357
DEFERRED OUTFLOWS OF RESOURCES				
Pension	--	(4)	761,221	761,221
Total Deferred Outflows of Resources	--			761,221
LIABILITIES				
Current Liabilities				
Accounts Payable	38,525			38,525
Accrued Salaries and Payroll Taxes	62,008			62,008
Unearned Revenue	46,117			46,117
Current Portion of Compensated Absences	--	(3)	20,000	20,000
Total Current Liabilities	146,650			166,650
Noncurrent Liabilities				
Compensated Absences	--	(3)	20,988	20,988
Net Pension Liability	--	(2)	211,098	211,098
Total Liabilities	146,650			398,736
FUND BALANCE				
Restricted	15,916		(15,916)	--
Unassigned	1,548,023		(1,548,023)	--
Total Fund Balance	1,563,939			
Total Liabilities and Fund Balance	$ **1,710,589**			
NET POSITION				
Net Investment in Capital Assets			4,205,768	4,205,768
Restricted For:				
Training Funds			15,916	15,916
Unrestricted			2,057,158	2,057,158
Total Net Position				$ **6,278,842**

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

(2) Net pension liability is not paid from current financial resources and, therefore, is excluded from the fund financial statement.

(3) Compensated absences are not due and payable in the current period and therefore are not reported in the fund.

(4) Deferred outflows from the difference between projected and actual investment earnings of pension plan as well as Dispatch contributions made after the measurement date of the net pension liability are not reported in the fund.

Calhoun County Consolidated Dispatch Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities
For the Year Ended December 31, 2016

	General Fund		Adjustments	Statement of Activities
Revenues				
Charges for Services	$ 3,462,572			$ 3,462,572
Interest	2,018			2,018
Total Revenues	3,464,590			3,464,590
Expenditures				
Public Safety	2,744,157	(1)(2)(3)	1,123,619	3,867,776
Capital Outlay	257,730	(1)	(257,730)	--
Total Expenditures	3,001,887			3,867,776
Excess of Revenues Over (Under) Expenditures	462,703			(403,186)
Net Change in Fund Balance / Net Position	**462,703**			**(403,186)**
Fund Balance / Net Position at Beginning of Period	1,101,236			6,682,028
Fund Balance / Net Position at End of Period	$ **1,563,939**			$ **6,278,842**

(1) In the statement of activities, a provision for deprecation of $956,124 was recorded on the capital assets recorded in the statement of net position. In the governmental (general) fund there is no depreciation recorded. Also, in the statement of activities, assets acquired during the year of $257,730 are capitalized on the statement of net position, rather than being recorded as expenditures on the governmental (general) fund.

(2) Changes to net pension asset and deferred outflows of resources are not shown in the fund financial statement.

(3) Changes to certain liabilities such as compensated absences are not due and payable in the current period and, therefore, are not reported in the fund.

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Calhoun County Consolidated Dispatch Authority (the "Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Authority was formed by an intergovernmental agreement between the City of Marshall, City of Albion, 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. The Authority is governed by a nine-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, 2021.

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity.

Government-wide and Fund Financial Statements

Separate columns are included in the financial statements for the government-wide financial statements (e.g., the statement of net position and the statement of activities) and the fund financial statements, which present the sole governmental fund (the general fund) of the Authority.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Basis of Presentation

The government-wide financial statements 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.

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 Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

State grants, charges for services 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 Authority reports the following major governmental fund:

> The **general fund** is the government's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and Authority 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 March, 1997.

Receivables and Payables

All trade receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable as of December 31, 2016.

Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type 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 $5,000 and an estimated useful life in excess of two years. Donated capital assets are valued at their estimated fair market value on 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. Improvements are capitalized and depreciated using the straight-line method over the remaining useful lives of the related capital assets, as applicable.

Description	Useful Life
Leasehold Improvements	Various
Equipment	5 - 10 Years

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority reports deferred outflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension plan.

Unearned Revenue

Unearned revenue includes payments received from participating local units of government for services to be provided in future periods.

Compensated Absences

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 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 Balance Flow Assumptions

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund 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 fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Authority itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the government that can, by adoption of a resolution or majority vote prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution or majority vote remains in place until a similar action is taken (the adoption of another resolution or majority vote) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Authority for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors has authorized the director to assign fund balance. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2 - Excess of Expenditures over Budget

Budgetary Basis of Accounting

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

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.

During the year ended December 31, 2016, the Authority had no expenditures in excess of appropriations.

Note 3 - Cash and Investments

At December 31, 2016, the Authority's cash and investments was as follows:

Statement of Net Position	
Cash and Cash Equivalents	$ 1,440,952
Classification of Deposits	
Cash held by Authority	$ 1,521,871
Cash held in pooled account of Calhoun County	(80,919)
	$ 1,440,952

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might 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, $1,271,871 of the Authority's bank balance of $1,521,871 was exposed to custodial credit risk.

Note 4 - Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated				
Construction in Process	$ -	$ 141,399	$ -	$ 141,399
Capital assets being depreciated				
Leasehold Improvements	773,816	-	-	773,816
Equipment	8,851,482	116,331	-	8,967,813
Total capital assets, being depreciated	9,625,298	116,331	-	9,741,629
Less accumulated depreciation				
Leasehold Improvements	212,800	38,691	-	251,491
Equipment	4,508,336	917,433	-	5,425,769
Total accumulated depreciation	4,721,136	956,124	-	5,677,260
Capital Assets, Net	$ 4,904,162	$ (698,394)	$ -	$ 4,205,768

Depreciation expense of $956,124 was charges to the public safety function.

Note 5 - Long-term Debt

Long-term Debt activity is as follows for the year ended December 31, 2016:

	Beginning Balance	**Additions**	**Ending Balance**	**Due Within One Year**
Compensated Absences	$ 39,097	$ 1,891	$ 40,988	$ 20,000

Note 6 - Risk Management

The Authority is exposed to various risks of loss related to torts, theft, damage, destruction of assets, errors and omissions, and natural disasters. The risks of loss arising from general liability, property, and casualty are managed through purchased commercial insurance.

Note 7- Defined Benefit Pension Plan

Plan Description

The Authority participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple - employer defined benefit pension plan. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers full-time employees at the Authority including Administrators, Supervisors, Dispatchers. Retirement benefits for employees are calculated as 2.50% of the employee’s three year final average compensation times the employee’s years of service with a no maximum or a maximum of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at an unreduced benefit at age 55 with 25 years of service or a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of credited service, but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and if duty-related without an actuarial reduction for retirement before age 60 is not applied. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	14
Total employees covered by MERS	23

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2016, the average active employee contribution rate was 3.7 percent of annual pay and the Authority's average contribution rate was .7 percent of annual payroll.

Net Pension Liability

The net pension liability reported at December 31, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

	Increase (Decrease)		
Changes in Net Pension Asset	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balance at December 31, 2014	$ 4,644,224	$ 5,275,189	$ (630,965)
Service cost	105,858	-	105,858
Interest	381,747	-	381,747
Difference between Expected and Actual Experience	44,821	-	44,821
Changes in Assumptions	287,695	-	287,695
Contributions - Employer	-	10,380	(10,380)
Contributions - Employee	-	59,236	(59,236)
Net investment income	-	(79,952)	79,952
Benefit payments, including refunds	(139,839)	(139,839)	-
Administrative expenses	-	(11,606)	11,606
Net changes	680,282	(161,781)	842,063
Balance at December 31, 2015	$ 5,324,506	$ 5,113,408	$ 211,098

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 465,208	$ -
Difference between expected and actual experience	35,857	-
Change in assumptions	230,156	-
Employer contributions to the plan subsequent to the measurement date	30,000	-
Total	$ 761,221	$ -

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2017	$ 187,455
2018	187,455
2019	187,453
2020	168,858

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.75%	In the long-term
Investment rate of return	7.75%	Net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5 percent long-term wage inflation assumption would be consistent with a price inflation of 3-4 percent

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in December 31, 2015 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	57.5%	5.02%
Global fixed income	20%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10%	6.56%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Authority, calculated using the discount rate of 8 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Net pension liability	$ 923,526	$ 211,098	$ (385,041)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 8 - Defined Contribution Pension Plan

The Authority also has 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 three years of service.

The Authority's contributions to the Plan totaled $57,530 during 2016.

Note 9 - Office and Dispatch Center Leases

The Authority has entered into a lease for office space with Calhoun County through December 2029, with monthly payments of $400 from 2017 through 2018; $450 from 2019 through 2024; and $594 from 2025 through 2029. Scheduled future minimum lease obligations as of December 31, 2016 are summarized as follows:

Year	Amount
2017	$ 4,800
2018	4,800
2019	5,400
2020	5,400
2021	5,400
2022-2026	30,456
2027-2029	21,384
	$ 77,640

The Authority has entered into a lease for its Dispatch Center with Calhoun County through December 2029, with monthly payments of $2,117 from 2017 through 2018; $2,436 from 2019 through 2024; and $2,796 from 2025 through 2029. Scheduled future minimum lease obligations as of December 31, 2016 are summarized as follows:

Year	Amount
2017	$ 25,404
2018	25,404
2019	29,232
2020	29,232
2021	29,232
2022-2026	154,800
2027-2029	100,656
	$ 393,960

Note 10 - Subsequent Events

Subsequent events have been evaluated through June 27, 2017, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would have a significant impact on the financial condition of the Authority.

Required Supplementary Information

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, 2016

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Charges for Services	$ 3,406,930	$ 3,406,930	$ 3,462,572	$ 55,642
Interest	900	900	2,018	1,118
Total Revenues	3,407,830	3,407,830	3,464,590	56,760
Expenditures				
Public Safety	3,064,452	3,064,452	2,744,157	320,295
Capital Outlay	343,000	428,361	257,730	170,631
Total Expenditures	3,407,452	3,492,813	3,001,887	490,926
Excess (Deficiency) of Revenues				
Over Expenditures	378	(84,983)	462,703	547,686
Net Change in Fund Balance	**378**	**(84,983)**	**462,703**	**547,686**
Fund Balance at Beginning of Period	1,101,236	1,101,236	1,101,236	--
Fund Balance at End of Period	**$ 1,101,614**	**$ 1,016,253**	**$ 1,563,939**	**$ 547,686**

Calhoun County Consolidated Dispatch Authority
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios - MERS
Last Two Years

	2016	2015
Total Pension Liability		
Service Cost	$ 105,858	$ 125,146
Interest	381,747	353,098
Differences Between Expected & Actual Experience	44,821	-
Changes in Assumptions	287,695	-
Benefit Payments, Including Refunds	(139,839)	(102,834)
Net Change in Pension Liability	680,282	375,410
Total Pension Liability - Beginning	4,644,224	4,268,814
Total Pension Liability - Ending (a)	$ 5,324,506	$ 4,644,224
Plan Fiduciary Net Position		
Contributions - Employer	$ 10,380	$ 12,000
Contributions - Member	59,236	61,526
Net Investment Income	(79,952)	317,706
Benefit Payments, Including Refunds	(139,839)	(102,834)
Administrative Expenses	(11,606)	(11,690)
Other	-	-
Net Change in Plan Fiduciary Net Position	(161,781)	276,708
Plan Fiduciary Net Position - Beginning	5,275,189	4,998,481
Plan Fiduciary Net Position - Ending (b)	$ 5,113,408	$ 5,275,189
Net Pension (Asset) Liability - Ending (a) - (b)	$ 211,098	$ (630,965)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96%	114%
Covered Employee Payroll	$ 826,187	$ 965,382
Net Pension (Asset) Liability as a Percentage of Covered Employee Payroll	26%	-65%

** Built prospectively upon implementation of GASB68*

Calhoun County Consolidated Dispatch Authority
Required Supplementary Information
Schedule of Contributions - MERS
Last Six Fiscal Years

	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	$ 10,380	$ 10,380	$ 6,120	$ 6,684	$ 112,044	$ 196,077
Contributions in Relation to the Actuarially Determined Contribution	10,380	12,000	6,120	6,684	112,044	196,077
Contribution Deficiency (Excess)	$ -	$ (1,620)	$ -	$ -	$ -	$ -
Covered Employee Payroll	826,187	965,382	1,016,358	1,081,016	1,150,599	1,131,001
Contributions as a Percentage of Covered Employee Payroll	1%	1%	1%	1%	10%	17%

Notes

Valuation Date

Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry Age - Normal
Amortization method	Level percentage of payroll
Remaining amortization period	18 Years
Asset valuation method	5 Year smoothed
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the RP-2014 Group Annuity

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June 27, 2017

To the Board of Directors
Calhoun County Consolidated Dispatch Authority

We have audited the financial statements of the governmental activities and general fund information of the Calhoun County Consolidated Dispatch Authority (the "Authority") for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 31, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2016. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

- Management's estimate of the use life of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

- The assumptions used in the actuarial valuation of the pension benefit plan are based on historical trends and industry standards.

We evaluated key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 27, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the pension schedules, and budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI
June 27, 2017