

C.C.E. CENTRAL DISPATCH AUTHORITY
(Charlevoix, Cheboygan and Emmet Counties)

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

for the year ended December 31, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
C.C.E. Central Dispatch Authority:

We have audited the accompanying financial statements of the governmental activities and the major fund of C.C.E. Central Dispatch Authority (a joint venture of Charlevoix, Cheboygan and Emmet counties) as of and for the year ended December 31, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 C.C.E. Central Dispatch Authority as of December 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and page 19, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Smolinski & Christman, P.C.

C.C.E. CENTRAL DISPATCH AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended December 31, 2007

This section of the annual financial report presents management's discussion and analysis of C.C.E. Central Dispatch Authority's (the "Authority") financial performance during the year ended December 31, 2007. It should be read in conjunction with the Authority's financial statements which immediately follow.

Financial Highlights

- The assets of the Authority exceeded its liabilities at December 31, 2007 by \$4,337,438 (net assets). Of this amount, \$951,553 (unrestricted net assets) may be used to meet the ongoing obligations for Authority programs.
- The Authority's total net assets increased by \$401,094
- At December 31, 2007, the Authority's general fund balance was \$960,947, an increase of \$148,168.
- At December 31, 2007, unreserved fund balance for the general fund was \$867,953 or 40 percent of total 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 three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Authority is categorized as a governmental fund.

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, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.



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MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended December 31, 2007

Because 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide information to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund. The general fund is considered a major fund.

The Authority adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 8 and 9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 through 18 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Authority's general fund budget on page 19.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceed liabilities by \$4,337,438 at the close of the year ended December 31, 2007. The following table represents condensed financial information regarding the Authority's financial position of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets	\$1,079,910	\$1,079,134
Capital Assets, net	<u>3,385,885</u>	<u>3,132,959</u>
Total assets	<u>\$4,465,795</u>	<u>\$4,212,093</u>
Liabilities		
Current Liabilities	\$ 118,963	\$ 266,355
Long-term Liabilities	<u>9,394</u>	<u>9,394</u>
Total liabilities	<u>\$ 128,357</u>	<u>\$ 275,749</u>
Net Assets		
Invested in capital assets	\$3,385,885	\$3,132,959
Unrestricted	<u>951,553</u>	<u>803,385</u>
Total net assets	<u>\$4,337,438</u>	<u>\$3,936,344</u>



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 for the year ended December 31, 2007

The largest portion of the Authority's net assets (78 percent) reflects its investment in capital assets. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The counties passed a resolution in 2004 to assess a 4 percent surcharge on telephone land lines in the counties. The surcharge revenue is only to be used to assist in the funding of the upgrade and replacement of equipment, per a resolution by the Authority's Board of Directors. The Authority collected additional 4 percent surcharge revenue in 2007. These funds were spent in 2007 on capital improvements. Therefore, there is no restricted net asset balance at December 31, 2007.

The unrestricted net assets (22 percent of total net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net assets increased by \$401,094, which is the amount by which ongoing revenues exceed ongoing expenses for the year. The following table explains the change in the Authority's net assets for the years ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Revenues		
Operating contributions	\$1,327,496	\$1,293,781
Cellular telephone and wireless use fees	353,905	301,345
Telephone surcharges	476,869	543,515
Federal, state, and local grants	101,888	306,576
Rent	12,571	-
Interest	42,867	58,808
Other	<u>895</u>	<u>(1,157)</u>
Total revenues	2,316,491	2,502,868
Expenses		
Public safety	<u>1,915,397</u>	<u>1,808,503</u>
Increase in net assets	<u>\$ 401,094</u>	<u>\$ 694,365</u>

As discussed earlier, the telephone surcharge revenue is designated for capital improvements.

Financial Analysis of the Government's Funds

Governmental fund. As noted earlier, the focus of the governmental 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current year, the Authority's governmental fund reported an ending fund balance of \$960,947, an increase of \$148,168 from the prior year. The unreserved fund balance, which is available for spending at the Authority's discretion, is \$867,953 or 90 percent of the total. The remaining \$92,994 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to prepaid expenditures.



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MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended December 31, 2007

The increase in the fund balance of \$148,168 indicates that revenues were in excess of expenditures for the year. In the prior year, the fund balance decreased by \$643,822.

Total revenues of \$2,317,450 were lower than prior year revenues of \$2,559,787, a decrease of \$242,337. Revenues from various sources decreased significantly in 2007 over 2006 as follows 1) telephone surcharges decreased \$66,646; and 2) federal, state and local grants decreased \$204,688.

Total expenditures of \$2,169,282 were lower than prior year expenditures of \$3,203,609, a decrease of \$1,034,327. The most significant variance in expenditures was capital outlay, which decreased by \$1,169,486. The current year did not have significant expenditures for infrastructure upgrades incurred in the prior year.

General Fund Budgetary Highlights

The Authority prepares a budget annually, with amendments made when necessary. Each amendment to the budget is approved by the Board of Directors. The Authority prepares the budget on the cash basis of accounting. The majority of the operational and capital and developmental funding is received from the general funds of the counties comprising the Authority. The Authority also receives significant funding from surcharges and fees on telephone land lines, which is designated for capital improvements, and cellular telephone and wireless equipment.

State law requires that expenditures do not exceed appropriations. Original and final budgets, as well as actual amounts paid and received on the cash basis of accounting, are included as required supplementary information in the report of financial statements. The budget was amended once during the year.

The Authority received \$2,275,330 in revenues on the cash basis of accounting. The amount budgeted for revenues was \$2,495,496. Thus, the Authority was \$220,166 under budget in revenues. This underage was mainly caused by telephone surcharges being \$143,345 under budget and loan proceeds being \$110,000 under budget. This underage is a result of over budgeting revenue.

The Authority's expenditures were \$2,265,199 on the cash basis of accounting. The amount budgeted for expenditures was \$2,545,496. Thus, the Authority was \$280,297 under budget in expenditures. This underage was mainly caused by capital outlay being \$254,438 under budget.



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 MANAGEMENT'S DISCUSSION AND ANALYSIS
 for the year ended December 31, 2007

Capital Assets

The Authority's investment in capital assets for its governmental activities as of December 31, 2007, amounts to \$3,385,885 (net of accumulated depreciation). The Authority's capital assets as of December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Land	\$ 414,887	\$ 414,887
Construction in progress	-	1,271,267
Assets not being depreciated	34,194	-
Building and improvements	1,118,378	1,118,378
Furniture and equipment	250,432	120,217
Communication equipment, connector hardware and software	4,128,939	2,646,575
Vehicle	<u>22,715</u>	<u>22,715</u>
Total capital assets	5,969,545	5,594,039
Less accumulated depreciation	<u>2,583,660</u>	<u>2,461,080</u>
Total capital assets, net	<u>\$3,385,885</u>	<u>\$3,132,959</u>

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

Economic Factors and Next Year's Budget

The following items were considered in preparing the budget for the Authority for the year ended December 31, 2008:

- By contractual agreement, dispatchers will receive a 3 percent cost of living (COL) adjustment beginning January 1, 2008, in addition to step increases based upon years of service. A similar 3 percent COL adjustment was anticipated for the director, operations manager, and administrative assistant.
- Health care premiums were anticipated to rise between 8-12 percent, beginning June 1, 2008, for one half budget year increase.
- At the time of budget adoption, funding legislation to replace the 4 percent funds had not been passed by the legislature. The Authority anticipated the passage of the new legislation based upon "all devices" charge and the use of audited budget figures from 2006, plus 2.7 percent. The proposed legislation also included a change in how the revenues were collected and forwarded to the county.
- The Authority will spend down approximately \$155,000 remaining in uncommitted funds from the 2006 COPS Grant.
- With the completion of the tower structure located at CCE, the Authority anticipated an increase in other income from tower rent.



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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Economic Factors and Next Year's Budget (Continued)

- The Director is negotiating a new contract with a carrier for the delivery of telephone CAD service and anticipates a reduction of approximately 40 percent.
- For 2008, the participating counties sought relief from the uncertainty of the effects of the new funding legislation and its impact upon the Authority. The Authority budget has included a "contingency" appropriation from each county, to be requested only if needed. This contingency totaled \$100,000 for 2008, an amount sufficient to offset potential shortfalls of the new legislation.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, C.C.E. Central Dispatch Authority, 1694 South U.S. 131 Hwy., Petoskey, Michigan 49770.



C.C.E. CENTRAL DISPATCH AUTHORITY
 GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
 December 31, 2007

	<u>General Fund Modified Accrual Basis</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS:			
Cash	\$ 239,537	\$ -	\$ 239,537
Certificates of deposit	554,823	-	554,823
Receivables	166,341	-	166,341
Interest receivable	26,215	-	26,215
Prepaid expenditures	92,994	-	92,994
Capital assets, net of accumulated depreciation	-	3,385,885	3,385,885
Total assets	<u>\$ 1,079,910</u>	<u>\$ 3,385,885</u>	<u>\$ 4,465,795</u>
LIABILITIES:			
Accounts payable	\$ 38,064	\$ -	\$ 38,064
Accrued payroll and taxes	25,308	-	25,308
Deferred grant revenue	14,874	-	14,874
Accrued compensated absences	-	9,394	9,394
Accrued rent	40,717	-	40,717
Total liabilities	118,963	9,394	128,357
FUND BALANCE/NET ASSETS:			
Fund balance:			
Reserved for:			
Prepaid expenditures	92,994	(92,994)	-
Unreserved	867,953	(867,953)	-
Total fund balance	<u>960,947</u>	<u>(960,947)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,079,910</u>		
Net assets:			
Invested in capital assets		3,385,885	3,385,885
Unrestricted		951,553	951,553
Total net assets		<u>\$ 4,337,438</u>	<u>\$ 4,337,438</u>

The accompanying notes are a part of the financial statements.



C.C.E. CENTRAL DISPATCH AUTHORITY
 STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
 for the year ended December 31, 2007

	General Fund Modified <u>Accrual Basis</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES:			
Contributions from participating municipalities	\$ 1,327,496	\$ -	\$ 1,327,496
Cellular telephone and wireless user fees	353,905	-	353,905
Telephone surcharges	476,869	-	476,869
Federal grants	14,076	-	14,076
County grants	21,865	-	21,865
Local revenue sharing board grants	56,000	-	56,000
Other local grants	9,947	-	9,947
Rent	12,571	-	12,571
Interest	42,867	-	42,867
Other	1,854	(959)	895
	<u>2,317,450</u>	<u>(959)</u>	<u>2,316,491</u>
Total revenues			
EXPENDITURES:			
Public safety:			
Salaries and wages	797,997	-	797,997
Payroll taxes	60,995	-	60,995
Employee benefits	171,371	-	171,371
Retirement plan	57,541	-	57,541
Professional and contractual services	119,789	-	119,789
Utilities	31,085	-	31,085
Supplies and postage	20,023	-	20,023
Vehicle	1,682	-	1,682
Travel	1,680	-	1,680
Telephone	122,337	-	122,337
Repairs and maintenance	112,030	-	112,030
Education and training	11,641	-	11,641
Miscellaneous	1,789	-	1,789
Rent	58,213	-	58,213
Insurance	20,398	-	20,398
Mapping	24,351	-	24,351
Licensing	88,709	-	88,709
Depreciation	-	213,766	213,766
Capital outlay	467,651	(467,651)	-
	<u>2,169,282</u>	<u>(253,885)</u>	<u>1,915,397</u>
Total expenditures			
NET CHANGE IN FUND BALANCE/NET ASSETS	148,168	252,926	401,094
FUND BALANCE/NET ASSETS,			
beginning of year	<u>812,779</u>	<u>3,123,565</u>	<u>3,936,344</u>
FUND BALANCE/NET ASSETS, end of year	<u>\$ 960,947</u>	<u>\$ 3,376,491</u>	<u>\$ 4,337,438</u>

The accompanying notes are a part of the financial statements.



C.C.E. CENTRAL DISPATCH AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Reporting Entity

C.C.E. Central Dispatch Authority (the "Authority") is a joint venture formed by, and on behalf of, participating municipalities located within the counties of Charlevoix, Cheboygan and Emmet under the auspices of the Inter-Governmental Contracts Between Municipalities Act, Urban Cooperation Act, and Emergency Telephone Service Enabling Act. Its purpose is to centralize the dispatch of emergency service responders in the three county area.

The Authority is governed by a nine member Board of Directors made up as follows:

Three county commissioners: one appointed from each county board of commissioners.

Three city or village representatives: one selected from each county.

Three township representatives: one selected from each county.

The accompanying financial statements present the activity for which the Authority considers itself financially accountable.

The accounting policies of the Authority conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies:

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the primary government unit.

The Authority utilized the financial statement format recommended by the State of Michigan for special purpose entities engaged only in governmental activities.

The Authority maintains only one fund, the general fund, which is accounted for as a governmental fund.

Measurement Focus, Basis of Accounting and Basis of Presentation

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



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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Governmental fund financial statements (the balance sheet and statement of revenue, expenditures and changes in fund balances) 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, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

Assets, Liabilities and Net Assets or Equity

Bank Deposits and Investments

Cash consists of demand deposits. Cash equivalents, if any, consist of short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, building, furniture, equipment, vehicles, and software are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets, if any, are recorded at estimated fair market 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 asset lives are not capitalized.



C.C.E. CENTRAL DISPATCH AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

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

Assets	Years
Software	3 and 10
Furniture, equipment and vehicles	5-10
Building and building improvements	40
Towers	50

Deferred Grant Revenue

The Authority has received grants of \$14,874 from the Local Revenue Sharing Board which were not spent at December 31, 2007. Therefore, the grants are recorded as deferred revenue at December 31, 2007. The Authority anticipates recording revenue in 2008 when the grant funds are expected to be spent for their designated purposes.

Compensated Absences

It is the Authority's policy to permit employees to accumulate a limited amount of earned but unused vacation , which will be paid to employees upon separation from the Authority. All vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity

In the fund financial statements, the governmental fund may report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Contributions

The Authority benefits from the volunteer efforts of individuals and from services provided by participating municipalities at no charge. The value of these services have not been reported in these financial statements. However, in-kind contributions from participating municipalities have been assigned a value for the purpose of establishing historical contributions. In the event of a dissolution, historical contributions are used to determine each participating municipality's interest in the net assets of the Authority. Contributions of donated assets are recorded at estimated fair value on the date of the donation.



C.C.E. CENTRAL DISPATCH AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Assets, Liabilities and Net Assets or Equity (Continued)

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. 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 B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

Following is an explanation of the adjustments between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets, which reconciles fund balance to net assets:

Governmental fund balance	\$ 960,947
Adjustments:	
Capital assets	5,969,545
Accumulated depreciation	(2,583,660)
Accrued compensated absences	<u>(9,394)</u>
Net assets of governmental activities	<u>\$4,337,438</u>

Following is an explanation of the adjustments between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-Wide Statement of Activities, which reconciles change in fund balance to change in net assets:

Change in fund balance	\$ 148,168
Adjustments:	
Loss on disposal of capital asset	(959)
Capital outlay expense	467,651
Depreciation expense	<u>(213,766)</u>
Change in net assets	<u>\$ 401,094</u>

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

The Board of Directors adopts the annual operating budget, which can be amended by the Board throughout the year.

The annual operating budget is prepared on the cash basis of accounting and the fund financial statements are prepared on the modified accrual basis of accounting, which is required by U.S. generally accepted accounting principles (GAAP). The following schedule reconciles the difference between actual revenues and expenditures on the GAAP basis and the cash basis.



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 NOTES TO FINANCIAL STATEMENTS
 December 31, 2007

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued):

	<u>Revenues</u>	<u>Expenditures</u>
Amounts on GAAP basis	\$2,317,450	\$2,169,282
GAAP to cash basis accrual adjustment (decrease)	<u>(42,120)</u>	<u>95,917</u>
Amounts on cash basis	<u>\$2,275,330</u>	<u>\$2,265,199</u>

NOTE D - DEPOSITS AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91, authorizes the Authority to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Authority is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Authority has not formally adopted deposit and investment policies.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of year end \$712,560 of the Authority's bank balance of \$812,560 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE E - RECEIVABLES:

Receivables at December 31, 2007 are as follows:

Due from counties for cellular user fees	\$ 84,390
Due from counties and telephone companies for 4 percent surcharge	56,586
Due from counties for reimbursement of capital outlay expenditures	21,865
Other	<u>3,500</u>
Total	<u>\$166,341</u>

No allowance for uncollectible accounts is considered necessary.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE F - CAPITAL ASSETS:

The following is a summary of changes in the various fixed asset class categories for the year ended December 31, 2007:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable capital assets:					
Land	\$ 414,887	\$ -	\$ -	\$ -	\$ 414,887
Assets not being depreciated	-	12,465	21,729	-	34,194
Construction in progress	<u>1,271,267</u>	<u>-</u>	<u>(1,271,267)</u>	<u>-</u>	<u>-</u>
Subtotal	<u>1,686,154</u>	<u>12,465</u>	<u>(1,249,538)</u>	<u>-</u>	<u>449,081</u>
Depreciable capital assets:					
Buildings and improvements	1,118,378	-	-	-	1,118,378
Furniture and equipment	120,217	132,500	-	(2,285)	250,432
Communication equipment, computer hardware and software	2,646,575	322,686	1,249,538	(89,860)	4,128,939
Vehicle	<u>22,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,715</u>
Subtotal	<u>3,907,885</u>	<u>455,186</u>	<u>1,249,538</u>	<u>(92,145)</u>	<u>5,520,464</u>
Less accumulated depreciation:					
Buildings and improvements	332,943	27,959	-	-	360,902
Furniture and equipment	95,866	7,669	-	(2,285)	101,250
Communication equipment, computer hardware and software	2,020,914	173,595	-	(88,901)	2,105,608
Vehicle	<u>11,357</u>	<u>4,543</u>	<u>-</u>	<u>-</u>	<u>15,900</u>
Subtotal	<u>2,461,080</u>	<u>213,766</u>	<u>-</u>	<u>(91,186)</u>	<u>2,583,660</u>
Net depreciable assets	<u>1,446,805</u>	<u>241,420</u>	<u>1,249,538</u>	<u>(959)</u>	<u>2,936,804</u>
Net capital assets	<u>\$3,132,959</u>	<u>\$253,885</u>	<u>\$ -</u>	<u>\$ (959)</u>	<u>\$3,385,885</u>

Depreciation expense of \$213,766 was all charged to the public safety function.

NOTE G - LINE OF CREDIT:

The Authority has a \$1,000,000 revolving line of credit, none of which was used during the year ended December 31, 2007. Bank advances on the credit line are payable on December 10, 2008, the maturity date of the loan, and carry an interest rate of one-half of the prime rate (7.25 percent at December 31, 2007). The credit line is unsecured.



C.C.E. CENTRAL DISPATCH AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2007

NOTE H - CONTRIBUTIONS FROM PARTICIPATING MUNICIPALITIES:

Under the terms of the organizing agreement, each participating county is responsible for funding the developmental costs and operating expenditures of the Authority based on a formula. Currently the formula requires that sixty percent of the Authority's expenditures be divided equally between the three participating counties. The remaining forty percent is divided based on telephone lines in each county. The agreement requires that this funding formula be reviewed every five years. The funding formula was adjusted in 2005.

A summary of each participating county's funding percentage and actual contributions for 2007 is as follows:

<u>County</u>	<u>Funding Percent</u>	<u>Contribution</u>
Charlevoix	32	\$ 424,799
Cheboygan	31	411,524
Emmet	<u>37</u>	<u>491,173</u>
Total	<u>100</u>	<u>\$1,327,496</u>

NOTE I - RETIREMENT PLAN:

The Authority sponsors the C.C.E. Central Dispatch Authority Money Purchase Pension Plan, a defined contribution plan which covers all full-time employees. The plan is administered by the International City Management Association Retirement Corporation (ICMA). The Authority is required to contribute 8 percent of eligible employee compensation to the plan. Plan provision and contribution requirements are established and may be amended by the Authority Board of Directors. Employer plan contributions for the year ended December 31, 2007 totaled \$57,541.

The Authority also sponsors a Section 457 Deferred Compensation Plan, which is administered by ICMA. Eligible employees may contribute to the plan. The Authority is not required to contribute to the plan. Plan provision and contribution requirements are established and may be amended by the Authority Board of Directors. Employee contributions for the year ended December 31, 2007 totaled \$8,014.

NOTE J - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Authority belongs to the Michigan Municipal Risk Management Authority, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Authority pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for 100 percent of its claims. Settlements did not exceed insurance coverage for each of the past three years.



C.C.E. CENTRAL DISPATCH AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2007

NOTE J - RISK MANAGEMENT (Continued):

The Authority also belongs to the Michigan Counties Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and worker's compensation insurance program for various municipalities throughout the state. The Authority pays an annual premium for its worker's compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for 100 percent of its claims. Settlements did not exceed insurance coverage for each of the past three years.

NOTE K - OPERATING LEASES - AS LESSEE:

The Authority leases property and tower space under operating lease agreements. These leases have various lease terms and termination dates. Rent expense under these operating leases for the year ended December 31, 2007 was approximately \$58,200.

The following is a schedule of approximate future minimum lease payments for each of the five subsequent years and in five year increments thereafter:

<u>Year Ended</u> <u>December 31</u>	
2008	\$ 62,000
2009	64,000
2010	57,000
2011	13,000
2012	<u>10,000</u>
Total	<u>\$206,000</u>

NOTE L - OPERATING LEASES - AS LESSOR:

The Authority leases tower space and antennas to a cellular telephone provider under an operating lease agreement. The term of this lease is for five years commencing from September 5, 2007. The monthly rent is \$1,802 per month and will increase three percent annually beginning with the second year of the lease. Lease income under this lease for the year ended December 31, 2007 was \$8,971.

The following is a schedule of approximate future minimum lease income for each of the five subsequent years:

<u>Year Ended</u> <u>December 31</u>	
2008	\$ 22,000
2009	22,500
2010	23,000
2011	24,000
2012	<u>16,000</u>
Total	<u>\$107,500</u>

In April, 2008 the Authority signed an additional lease for tower space and antennas with another cellular telephone provider. This lease is for five years. The monthly rent will be \$1,120 per month and will increase three percent annually beginning with the second year of the lease.

C.C.E. CENTRAL DISPATCH AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE M - SUBSEQUENT EVENTS/COMMITMENTS:

The authority entered into a contract in December, 2007 in the amount of approximately \$275,000 for a microwave path project. To partially fund this project, the Authority made a draw of approximately \$165,000 on its line of credit in February, 2008.

C.C.E. CENTRAL DISPATCH AUTHORITY
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS
 for the year ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable/ (Unfavorable)
REVENUES:				
Contributions from participating municipalities	\$ 1,387,496	\$ 1,387,496	\$ 1,327,496	\$ (60,000)
Cellular telephone and wireless user fees	350,000	350,000	355,445	5,445
Telephone surcharges	608,000	608,000	464,655	(143,345)
Federal grants	-	-	41,918	41,918
Local revenue sharing board grants	-	-	21,000	21,000
Other local grants	-	-	9,947	9,947
Rent	18,000	18,000	12,571	(5,429)
Interest	20,000	20,000	40,444	20,444
Loan proceeds	-	110,000	-	(110,000)
Other	2,000	2,000	1,854	(146)
Total revenues	2,385,496	2,495,496	2,275,330	(220,166)
EXPENDITURES:				
Salaries and wages	791,296	791,296	796,317	(5,021)
Payroll taxes	74,000	74,000	60,995	13,005
Employee benefits	206,000	206,000	154,045	51,955
Retirement plan	58,500	58,500	57,541	959
Professional and contractual services	109,000	109,000	131,030	(22,030)
Utilities	31,500	31,500	29,838	1,662
Supplies and postage	20,250	20,250	19,260	990
Vehicle	1,350	1,350	1,682	(332)
Travel	4,000	4,000	1,644	2,356
Telephone	125,000	125,000	117,061	7,939
Repairs and maintenance	84,000	84,000	99,536	(15,536)
Education and training	5,000	5,000	6,405	(1,405)
Miscellaneous	1,600	1,600	1,895	(295)
Rent	56,000	56,000	47,884	8,116
Insurance	20,000	20,000	20,888	(888)
Mapping	25,000	25,000	24,661	339
Licensing	80,000	80,000	95,955	(15,955)
Capital outlay	743,000	853,000	598,562	254,438
Total expenditures	2,435,496	2,545,496	2,265,199	280,297
REVENUES OVER (UNDER) EXPENSES	\$ (50,000)	\$ (50,000)	10,131	\$ 60,131
FUND BALANCE, beginning of year			784,229	
FUND BALANCE, end of year			\$ 794,360	



Smolinski & Christman, P.C.
Certified Public Accountants

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Adam B. Caron, C.P.A.
Troy A. Slater, C.P.A.

June 24, 2008

To the Executive Committee of the
C.C.E. Central Dispatch Authority:

We have completed our audit of the financial statements of the C.C.E. Central Dispatch Authority (the Authority) for the year ended December 31, 2007, and have issued our report thereon dated June 24, 2008. In planning and performing our audit, of the financial statements, we considered the Authority's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of the following matters that represent an opportunity for strengthening operating controls and efficiencies. This letter does not affect our report dated June 24, 2008, on the financial statements of C.C.E. Central Dispatch Authority. Our comments are summarized below.

Compliance with State's Uniform Chart of Accounts

The Authority's chart of accounts does not conform with the Michigan Department of Treasury uniform chart of accounts for local units of government. We recommend the Authority follow the prescribed chart of accounts. Examples of chart of account numbers and procedures on how to enter the numbers in the Authority's software have been provided to the Authority's management.

Investment Policy

Michigan Public Act 20 of 1943 requires governmental units to formally approve an investment policy to conform to this act. The Authority does not currently have a formal investment policy. An example of an investment policy has been provided to the Authority's management. A policy should be adopted by the Board as soon as possible.

We would like to acknowledge the courtesy and assistance extended to us by all the Authority's personnel during our audit. Should you have any questions with respect to the above comments, we would be pleased to discuss them with you at your convenience.

Very truly yours,

Smolinski & Christman, P.C.

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Adam B. Caron, C.P.A.
Troy A. Slater, C.P.A.

June 24, 2008

To the Executive Committee of the
C.C.E. Central Dispatch Authority:

In planning and performing our audit of the financial statements of C.C.E. Central Dispatch Authority (the Authority) as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following constitutes a material weakness.

- The personnel of the Authority have the capability to perform monthly internal accounting functions and reports as required by management. However, Authority personnel do not have the internal expertise to prepare the annual financial statements and related footnotes in accordance with the method of accounting utilized in the external audit report.

This communication is intended solely for the use of the Executive Committee, Board of Directors and management of the C.C.E. Central Dispatch Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Smolinski & Christman, P.C.

Smolinski & Christman, P.C.

