

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Saginaw County 911 Comm Ctr Authority	County Saginaw
Fiscal Year End 9/30/07	Opinion Date November 28, 2007	Date Audit Report Submitted to State November 29, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

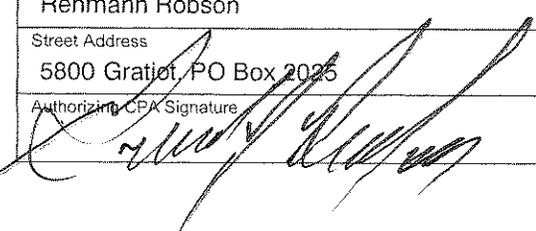
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 989 799-9580		
Street Address 5800 Gratiot, PO Box 2026		City Saginaw	State MI	Zip 48605
Authorizing CPA Signature 		Printed Name Gerald J. Desloover, CPA		License Number

Saginaw County 911

Communications Center Authority

Saginaw, Michigan

Financial Statements

For the Year Ending September 30, 2007

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

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## **INDEPENDENT AUDITORS' REPORT**

November 28, 2007

To the Board of Directors  
Saginaw County 911  
Communications Center Authority  
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of *Saginaw County 911 Communications Center Authority*, as of and for the year ended September 30, 2007, which collectively comprise the Authority's 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 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of *Saginaw County 911 Communications Center Authority*, as of September 30, 2007, and the respective changes in financial position and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles general accepted in the United States of America.

The Management's Discussion and Analysis listed in the table of contents on pages 3-7 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.

A handwritten signature in cursive script that reads "Lehmann Johnson".

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the annual financial report presents management's discussion and analysis of Saginaw County 911 Communications Center Authority's (hereon referred to as "the Authority") performance during the fiscal year ending September 30, 2007. Please read this along with the financial statements of the Authority. A comparison of current year to prior year financial information is provided.

### **Financial Highlights**

- The assets of the Authority exceeded its liabilities at the close of the September 30, 2007, fiscal year by \$3,587,660 (net assets). Of this amount, \$3,354,995 (unrestricted net assets) may be used to meet the government's ongoing obligations for Authority programs.
- The General Fund received \$4,231,054 in revenues and had \$3,584,049 in expenditures. The General Fund's fund increased to \$3,132,899 from \$2,485,894.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,029,468 or 85% of total General Fund expenditures.

### **Overview of the Financial Statements**

This discussion and analysis is intended to provide a basis of understanding of the Authority's basic statements. These statements comprise three components: (1) governmental-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

#### **Government –Wide Financial Statements**

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

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the differences between the two reported as net assets. Overtime, 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 expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

## **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. Saginaw County 911 Communications Center Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Authority can be divided into two categories: governmental funds and fiduciary funds. The Authority maintains one governmental fund and one fiduciary 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 on 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.

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 (modified accrual) statements with similar information presented for 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 balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Saginaw County 911 Communications Center Authority adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Authority's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

## **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 13-27 of this report.

## **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 exceeded liabilities by \$3,587,660 at the end of the September 30, 2007 fiscal year.

**Summary of Net Assets**

	<u>2005/2006</u>	<u>2006/2007</u>
Assets		
Current Assets	\$3,052,968	\$3,573,255
Capital Assets, net	<u>287,197</u>	<u>232,665</u>
Total assets	\$3,340,165	\$3,805,920
Liabilities		
Current Liabilities	212,678	118,169
Long-term Liabilities	<u>89,564</u>	<u>100,091</u>
Total Liabilities	\$ 302,242	\$ 218,260
Net Assets		
Invested in capital assets, net of related debt	287,197	232,665
Unrestricted	<u>2,750,726</u>	<u>3,354,995</u>
Total Net Assets	<u>\$3,037,923</u>	<u>\$3,587,660</u>

The net assets is separated into two major components; invested in capital assets (e.g., equipment), which amounted to \$232,665 or 6% of net assets and unrestricted net assets of \$3,354,995 or 94% of net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to its programs.

The Authority's net assets increased by \$549,737 during the current fiscal year. Most of this increase largely reflects the degree to which ongoing revenues exceeded ongoing expenditures.

**Statement of Activities**

	<u>2005/2006</u>	<u>2006/2007</u>
Revenue		
Program Revenues		
Charges for services	\$3,965,510	\$4,116,884
General Revenues:		
Interest	65,324	106,575
Other	<u>15,186</u>	<u>7,595</u>
Total revenue	\$4,046,020	\$4,231,054
Expenses		
Public safety	3,388,426	3,501,317
Capital outlay	<u>191,181</u>	<u>180,000</u>
Total Expenses	\$3,579,607	\$3,681,317
Increase (decrease) in Net Assets	<u>\$ 466,413</u>	<u>\$ 549,737</u>

The change in net assets differs from the change in fund balance because of different accounting requirements. A reconciliation appears later in the financial statements.

## **Summary of Fund Financial Statements**

*Governmental fund.* As noted earlier, the focus of the governmental fund (modified accrual) financial statements is to provide information on the 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.

As of the end of the current fiscal year, the Authority's governmental fund reported an ending fund balance of \$3,132,899, an increase of \$647,005 from the prior year. 97% or \$3,029,468 of the fund balance constitutes unreserved fund balance, which is available for spending at the Authority's discretion.

The increase in the fund balance of \$647,005 indicates that expenditures were less than revenues for the year. The increase is primarily related to the increase in surcharge revenue.

*Fiduciary fund.* The Authority maintains one fiduciary fund in the form of a trust fund. The Post Employment Health Benefits Trust Fund was established to accumulate funds for the future payments of postretirement health benefits.

As of the end of the current fiscal year, the Authority's trust fund reported a net assets balance of \$1,596,360, an increase of \$325,371 from the prior year. The trust fund net asset ending balance is wholly made up of cash and investments. The increase is due to contributions, interest, and appreciation in fair value in excess of expenses.

## **Budgetary Highlights**

The Authority annually prepares formal budgets with amendments made when necessary. Each of the amendments is approved by the Board. Approximately 95% of the Authority's revenue comes from telephone surcharges. The surcharge budget is based on an amount charged per telephone land line.

State law requires that expenditures do not exceed appropriations. Original and final budgets, as well as actual amounts paid and received, are included in the basic financial statements.

The General Fund received \$4,231,054 in revenues and had \$3,584,049 in expenditures. The General Fund's fund balance increased to \$3,132,899 from \$2,485,894.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,029,468 or 85% of total General Fund expenditures. \$2,125,000 of this money is designated for future expenditures.

The actual General Fund expenditures were within 94% of the final budget amounts. The increase in the actual General Fund revenues from the final budgeted amounts is due to an increase in the surcharge amount and the radio service charge.

### Capital Assets

As of September 30, 2007, the Authority had \$232,665 in capital assets consisting of various pieces of equipment.

Capital Assets  
(net of depreciation)  
September 30, 2007

	<u>2005/2006</u>	<u>2006/2007</u>
Equipment	\$7,097,995	\$7,121,375
Less accumulated depreciation	<u>6,810,798</u>	<u>6,888,710</u>
Net Capital Assets	<u>\$ 287,197</u>	<u>\$ 232,665</u>

### Economic Factors and Next Year's Budget

The following factors were considered in preparing the Authority's budget for the 2007-2008 fiscal year:

- Maximum surcharge revenue is charged per phone line.
- Continuing legislative action to stabilize surcharge funding.

### 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, Saginaw County 911 Communications Center Authority, 618 Cass St, Saginaw, MI 48602.

# **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT - WIDE FINANCIAL STATEMENTS**

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**STATEMENT OF NET ASSETS AND BALANCE SHEET - GOVERNMENTAL FUND**

**SEPTEMBER 30, 2007**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,855,130	\$ -	\$ 1,855,130
Investments	1,261,292	-	1,261,292
Accounts receivable	187	-	187
Interest receivable	10,478	-	10,478
Due from other governmental units	20,550	-	20,550
Prepaid expenditures/expenses	64,165	-	64,165
Prepaid health benefits	39,266	-	39,266
Net pension asset	-	322,187	322,187
Capital assets, net of accumulated depreciation	-	232,665	232,665
<b>TOTAL ASSETS</b>	<u>\$ 3,251,068</u>	<u>554,852</u>	<u>3,805,920</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 28,911	\$ -	\$ 28,911
Accrued payroll and related liabilities	45,498	-	45,498
Unearned revenue	43,760	-	43,760
Accrued compensated absences	-	100,091	100,091
<b>TOTAL LIABILITIES</b>	<u>118,169</u>	<u>100,091</u>	<u>218,260</u>
<b>FUND BALANCES/NET ASSETS</b>			
Fund balance:			
Reserved:			
Prepaid expenditures	103,431	(103,431)	-
Unreserved:			
Designated for:			
Equipment replacement	2,000,000	(2,000,000)	-
Health insurance claims	125,000	(125,000)	-
Undesignated	904,468	(904,468)	-
<b>TOTAL FUND BALANCE</b>	<u>3,132,899</u>	<u>(3,132,899)</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 3,251,068</u>		
Net assets:			
Invested in capital assets		232,665	232,665
Unrestricted		3,354,995	3,354,995
<b>TOTAL NET ASSETS</b>		<u>\$ 3,587,660</u>	<u>\$ 3,587,660</u>

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

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES/EXPENSES</b>			
Public safety	\$ 3,404,049	\$ 97,268	\$ 3,501,317
Capital outlay	180,000	-	180,000
<b>TOTAL EXPENDITURES/EXPENSES</b>	3,584,049	97,268	3,681,317
<b>PROGRAM REVENUES</b>			
Charges for services	4,116,884	-	4,116,884
<b>NET PROGRAM (EXPENSE) REVENUE</b>			435,567
<b>GENERAL REVENUES</b>			
Interest	106,575	-	106,575
Other	7,595	-	7,595
<b>TOTAL GENERAL REVENUES</b>	114,170	-	114,170
CHANGE IN FUND BALANCE	647,005	(647,005)	-
CHANGE IN NET ASSETS	-	549,737	549,737
FUND BALANCE/NET ASSETS, BEGINNING OF YEAR	2,485,894	552,029	3,037,923
<b>FUND BALANCE/NET ASSETS, END OF YEAR</b>	<u>\$ 3,132,899</u>	<u>\$ 454,761</u>	<u>\$ 3,587,660</u>

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

# **FUND FINANCIAL STATEMENTS**

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**

**FOR THE YEAR ENDED SEPTEMBER 30, 2007  
(WITH COMPARATIVE TOTALS FOR 2006)**

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	Year Ended September 30, 2006
<b>REVENUES</b>					
Telephone surcharge	\$ 3,686,400	\$ 3,686,400	\$ 3,903,405	\$ 217,005	\$ 3,642,174
Radio service charge	-	-	131,279	131,279	243,336
Reimbursements	80,000	80,000	82,200	2,200	80,000
Interest	25,000	25,000	106,575	81,575	65,324
Other	5,000	5,000	7,595	2,595	15,186
<b>TOTAL REVENUES</b>	<u>3,796,400</u>	<u>3,796,400</u>	<u>4,231,054</u>	<u>434,654</u>	<u>4,046,020</u>
<b>EXPENDITURES</b>					
Employee wages and salaries	2,035,037	2,035,037	1,915,197	(119,840)	1,864,851
Fringe benefits	977,591	977,591	924,297	(53,294)	834,213
Other operating expenditures					
Office supplies	7,700	7,700	7,508	(192)	2,424
Uniforms and accessories	5,000	5,000	4,758	(242)	4,336
Membership dues	2,000	2,000	1,297	(703)	1,576
Pre-employment physicals	2,000	2,000	1,812	(188)	2,231
Travel & training	19,192	19,192	19,027	(165)	17,370
Printing	6,000	6,000	5,993	(7)	5,608
Liability insurance	57,750	57,750	57,543	(207)	43,425
Telephone	42,000	42,000	33,428	(8,572)	31,064
Utilities	28,980	28,980	23,524	(5,456)	21,640
Repairs & maintenance - building	9,000	9,000	8,705	(295)	8,117
Repairs & maintenance - communication equipment	191,500	191,500	302,321	110,821	331,934
Janitorial services	5,000	5,000	4,115	(885)	4,842
Legal and accounting	17,200	17,200	6,120	(11,080)	5,880
Other contracted services	94,200	94,200	12,986	(81,214)	20,809
Building lease	76,250	76,250	75,418	(832)	73,725
Capital outlay	220,000	220,000	180,000	(40,000)	191,181
Total other operating expenditures	<u>783,772</u>	<u>783,772</u>	<u>744,555</u>	<u>(39,217)</u>	<u>766,162</u>
<b>TOTAL EXPENDITURES</b>	<u>3,796,400</u>	<u>3,796,400</u>	<u>3,584,049</u>	<u>(212,351)</u>	<u>3,465,226</u>
<b>CHANGE IN FUND BALANCE</b>	-	-	647,005	647,005	580,794
FUND BALANCE, BEGINNING OF YEAR	<u>2,485,894</u>	<u>2,485,894</u>	<u>2,485,894</u>	-	<u>1,905,100</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 2,485,894</u>	<u>\$ 2,485,894</u>	<u>\$ 3,132,899</u>	<u>\$ 647,005</u>	<u>\$ 2,485,894</u>

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

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**STATEMENT OF FIDUCIARY NET ASSETS**

**FIDUCIARY FUND**

**SEPTEMBER 30, 2007**

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	<b>Post Employment Health Benefits Trust Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 92,273
Investments	<u>1,504,087</u>
<b>Total assets</b>	<u>1,596,360</u>
<b>NET ASSETS</b>	
Held in trust for postemployment health benefits	<u><u>\$ 1,596,360</u></u>

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

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

**FIDUCIARY FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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	<b>Post Employment Health Benefits Trust Fund</b>
<b>ADDITIONS</b>	
Employer contributions	<u>\$ 160,000</u>
Net change in fair value of investments	99,415
Interest income	<u>77,044</u>
Net investment earnings	<u>176,459</u>
Total additions	336,459
<b>DEDUCTIONS</b>	
Investment management fees	<u>(11,088)</u>
<b>CHANGE IN NET ASSETS</b>	325,371
NET ASSETS, BEGINNING OF YEAR	<u>1,270,989</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 1,596,360</u></u>

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

## **NOTES TO FINANCIAL STATEMENTS**

# SAGINAW COUNTY 911 COMMUNICATIONS CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *Saginaw County 911 Communications Center Authority*, “Authority”, was formed under Public Act 7 of 1967 (Urban Cooperation Act), and is considered a local governmental unit. The Authority provides public safety related services including the dispatch of emergency police, fire and medical services within Saginaw County.

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.

#### A. THE REPORTING ENTITY

The Authority has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units, entities for which the government is considered to be financially accountable. Therefore, the reporting entity consists of the primary government financial statements only.

#### B. 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 all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Authority has no business-type activities.

The general fund is the Authority’s only major fund and is reported as a separate column in the financial statements.

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are 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 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 are recorded only when payment is due.

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

The government reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are derived primarily from telephone surcharges.

Additionally, the Authority reports the following fund type:

*Post Employment Health Benefits Trust Fund* – This fund is used to account for assets held to fund health care benefits for retirees of the Authority. Revenues of this fund are received from contributions from the General Fund. Expenses related to retiree health benefits are currently not being recorded in this fund; rather, these costs are being paid with current expendable resources of the General Fund. The Authority's management intends to continue to record these expenses in the General Fund, until a significant net assets balance is accumulated in the Post Employment Health Benefits Trust Fund.

# **SAGINAW COUNTY 911 COMMUNICATIONS CENTER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

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Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

### **D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

#### **1. CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

#### **2. INVESTMENTS**

Michigan law authorizes the Authority to deposit and invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. 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.

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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- f. Mutual funds registered under the investments company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Authority's investment policy allows for all of these types of investments. Investments are carried at fair value.

**3. RECEIVABLES**

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**4. CAPITAL ASSETS**

Capital assets, which include equipment, are reported in the governmental 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized when purchased. Capital assets of the Authority are depreciated using the straight line method over estimated useful lives of 3-10 years, depending on the type of equipment.

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**5. FUND EQUITY**

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**6. COMPENSATED ABSENCES**

The Authority allows employees to accumulate unused paid-time-off (PTO), up to a maximum of 600 hours. Unused PTO, in excess of 600 hours is paid to employees on an annual basis. At the time of termination of their employment, employees are eligible to receive payment for their unused PTO, at their current hourly rate as of the date of termination.

Unpaid PTO pay is reported in the Statement of Net Assets.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETS AND BUDGETARY ACCOUNTING**

A comparison to budget is presented for the General Fund as required by generally accepted accounting principles. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). General Fund expenditures are budgeted at the following classification levels: employee wages and salaries, fringe benefits, and other operating expenditures.

Adoption and amendments of budgets used by the Authority are governed by Public Act 621. Any amendment of the original budget must meet the requirements of Public Act 621.

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**III. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

A reconciliation of cash and investments as shown in the basic financial statement to the Authority's deposits and investments is as follows:

	<b><u>Carrying Amount</u></b>
Government-wide Financial Statement Captions:	
Primary Government:	
Cash and cash equivalents	\$ 1,855,130
Investments	1,261,292
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	92,273
Investments	<u>1,504,087</u>
Total	<u>\$ 4,712,782</u>
Notes to Financial Statements:	
Deposits	\$ 2,941,455
Investments	<u>1,771,327</u>
Total	<u>\$ 4,712,782</u>

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**Deposits and investments**

The Authority chooses to disclose its investments by specifically identifying each. As of year end, the Authority had the following investments.

Investment	Maturity	Fair Value	Ratings
LaSalle Bank Government Money Market Fund #604	N/A	\$ 267,240	Moody's Aaa & S&P AAAM
American Growth Fund of America Fd CI F	N/A	200,859	5★ Morningstar 3 Yr Rating
Marsico Investment Growth Fund	N/A	73,761	3★ Morningstar 3 Yr Rating
Vanguard 500 Index Fund	N/A	171,420	3★ Morningstar 3 Yr Rating
American Fundamental Investors CI F	N/A	75,177	5★ Morningstar 3 Yr Rating
Harris Assoc Invt Oarkmark Fund SBI	N/A	40,050	1★ Morningstar 3 Yr Rating
Columbia Acorn Tr Fd CI Z	N/A	88,055	3★ Morningstar 3 Yr Rating
Hotchkiss & Wiley Fds Sm Cap Value CI A	N/A	41,991	1★ Morningstar 3 Yr Rating
Morgan Stanley US Real Estate Inst Fund	N/A	33,744	5★ Morningstar 3 Yr Rating
First Eagle Sogen Inc Global Fd CI I	N/A	175,371	4★ Morningstar 3 Yr Rating
AllianceBernstein Intl Value Fd Adv	N/A	85,859	4★ Morningstar 3 Yr Rating
Vanguard Intermediate Term Bond Indx Fd	N/A	157,530	3★ Morningstar 3 Yr Rating
Metro West Fds Low Duration CI I	N/A	98,514	5★ Morningstar 3 Yr Rating
Payden & Rygel Invt Short Bond Fd CI R	N/A	44,817	3★ Morningstar 3 Yr Rating
PIMCO Low Duration Fund Inst CI	N/A	40,089	4★ Morningstar 3 Yr Rating
Vanguard Fixed Incm Short Term Corp Fd	N/A	139,684	5★ Morningstar 3 Yr Rating
Pioneer High Yield Fund CI A	N/A	37,166	3★ Morningstar 3 Yr Rating
		<u>\$1,771,327</u>	

**Investment and deposit risk**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note I of the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. None of the Authority's investments have specific maturity dates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note I of the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

*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 \$2,602,224 of the Authority’s bank balance of \$2,994,497 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Authority does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in Note I of the summary of significant accounting policies. The Authority’s investment policy does not have specific limits in excess of state law on concentration of credit. More than 5 percent of the Authority’s investments are in the LaSalle Bank Government Money Market Fund #604, American Growth Fund of America Fd CI F, Vanguard 500 Index Fund, First Eagle Sogen Inc Global Fd CI I, Vanguard Intermediate Term Bond Indx Fd, Metro West Fds Low Duration CI I, and Vanguard Fixed Incm Short Term Corp Fd. All investments held at year end are reported above.

**B. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2007, was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b><u>Ending Balance</u></b>
Capital assets being depreciated:				
Equipment	\$7,097,995	\$ 23,380	\$ -	\$7,121,375
Less accumulated depreciation				
Equipment	<u>(6,810,798)</u>	<u>(77,912)</u>	<u>-</u>	<u>(6,888,710)</u>
Total capital assets being depreciated, net	<u>\$ 287,197</u>	<u>\$(54,532)</u>	<u>\$ -</u>	<u>\$ 232,665</u>

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**C. LONG-TERM DEBT**

**Changes in Long-Term Debt**

Long-term liability activity for the year ended September 30, 2007 was as follows:

<b>Ending</b>	<b>Beginning</b>			<b>Ending</b>	<b>Due within</b>
	<b><u>Balance</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Balance</u></b>	<b><u>One Year</u></b>
Compensated absences	\$ 89,564	\$ 10,527	\$ -	\$ 100,091	\$ -

**D. OPERATING LEASE**

The Authority entered into an agreement with the Saginaw County Building Authority, to lease the 911 Communications Center. The agreement commenced on July 12, 1996, whereby rent is charged at a rate equal to the debt payments, as required by the general obligation bond issue. The original agreement was for a period of 5 years, terminating on December 31, 2001. The agreement has been renewed.

Rent expense for the 911 Communications Center was \$75,418 for the year ending September 30, 2007.

The Authority's potential future minimum rental commitments (until the bonds are paid off) for the 911 Communications Center at September 30, 2007 are as follows:

<b>Year</b>	
<b>Ended</b>	
<b><u>September 30</u></b>	<b><u>Amount</u></b>
2008	\$ 72,293
2009	<u>74,089</u>
	<u>\$146,382</u>

In 2010 and beyond, the Authority will be required to pay \$1.00 in principal and \$8,700 in maintenance annually.

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION**

**A. DEFINED BENEFIT PENSION PLAN**

*Plan Description*

The Authority's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Authority participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

*Funding Policy*

The Authority is required to contribute at an actuarially determined rate. Employees are currently not required to contribute to the Plan. The contribution requirements of the Authority are established, and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Authority, depending on the MERS contribution program adopted by the Authority.

*Annual Pension Cost and Net Pension Asset*

The Authority's annual pension cost and net pension obligation to MERS for the current year were as follows:

Annual required contribution	\$ 167,400
Less: Interest on net pension asset	(28,352)
Plus: Adjustment to annual required contribution	<u>60,561</u>
Annual pension cost	199,609
Contributions made	<u>167,400</u>
Decrease in net pension asset	32,209
Net pension (asset), beginning of year	<u>(354,396)</u>
Net pension (asset), end of year	<u>\$ (322,187)</u>

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

For the year ending September 30, 2007, the Authority's annual pension cost of \$199,609 for MERS was more than the Authority's required contribution and the actual contribution made. Actual contributions to MERS for the year ending September 30, 2007 amounted to \$167,400. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006, the date of the latest actuarial valuation, was 22 years.

**Trend Information**

Fiscal Year/Period <u>Ending</u>	Annual Pension Cost (APC) <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension (Asset) <u>(Asset)</u>
9/30/05	\$ 267,228	81%	\$(393,304)
9/30/06	201,595	81%	(354,396)
9/30/07	199,609	84%	(322,187)

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) -Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
12/31/04	\$5,672,266	\$ 6,225,391	\$ 553,125	91%	\$ 1,172,145	47%
12/31/05	6,030,308	7,128,892	1,098,584	85%	1,119,235	98%
12/31/06	6,418,904	7,732,902	1,313,998	83%	1,120,505	117%

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**B. DEFINED CONTRIBUTION PENSION PLAN**

*Plan Description*

The Authority's Defined Contribution Pension Plan (the "Plan") is a single employer defined contribution pension plan, established by the Authority and administered by an outside third-party administrator. All Authority employees hired after January 1, 1999, are required to participate in the Plan. All other Authority employees that are not vested in the Authority's Defined Benefit Plan have the option of becoming a participant in the Defined Contribution Plan.

Employees vest in the Authority's contributions in accordance with the following scale:

<u>Years of Service Completed</u>	<u>Percent Vested</u>
1	0%
2	0%
3	25%
4	50%
5	75%
6	100%

At September 30, 2007, there were 15 plan members. Plan members are not required to contribute to the Plan; however, employees may contribute up to 3% of their annual salary. The Authority is required to contribute 6% of the employees' annual salary, as well as match all employee contributions. Plan provision and contribution requirements are established and may be amended by the Authority Board of Directors.

Employer contributions to the Plan for the year ended September 30, 2007 amounted to \$58,967 and employee contributions were \$19,656.

A stand-alone pension plan report has not been issued for the defined contribution plan.

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**C. POSTEMPLOYMENT HEALTH BENEFITS**

The Authority provides a postretirement group hospitalization plan provided proper application is made prior to retirement for union and nonunion employees. This Plan was established through employees' union contracts and through a Board resolution for nonunion employees.

Currently 8 retirees receive postemployment health benefits. Benefits are paid on a pay-as-you-go basis and the expenditure for the year ended September 30, 2007 was \$75,792.

The Authority had an actuarial valuation performed as of March 31, 2004, which showed the Authority's unfunded accrued liability for postretirement health benefits to be between \$2,719,896 and \$4,133,074.

The fair value of the cash and investments held to fund retiree health care costs as of September 30, 2007 was \$1,596,360. The cash and investments held to fund retiree health care costs are invested with an investment manager and are accounted for within the Post Employment Health Benefits Trust Fund.

**D. RISK MANAGEMENT**

The Authority is self insured for comprehensive liability, motor vehicle physical damage and property and crime coverage through the Michigan Municipal Risk Management Authority State Member Pool Fund (MMRMA).

All claims of the Authority, after meeting certain minimal deductible requirements, are paid from the State Member Pool Fund of MMRMA. MMRMA is responsible for any claims in excess of deductible amounts up to a maximum limit of \$5,000,000. As a participant in the State Pool Fund, the Authority participates with various other municipalities in the sharing of risk. Annual premiums of the Fund are based upon the claims history of the participant and the Fund's operating results. The costs of eligible claims incurred by the members of the Pool are charged against the Pool up to certain maximum coverage limits as contractually set forth. The Authority's policy is to recognize the annual premium cost as an expenditure of the General Fund. Settlements did not exceed insurance coverage for each of the past three fiscal years. The expenditure for the year ending September 30, 2007 was \$51,704.

The Authority also purchases insurance coverage from Saginaw County for various other types of coverage not included in the Authority's MMRMA insurance policy.

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**E. ECONOMIC DEPENDENCY**

A significant portion of the Authority's revenues is derived from telephone surcharges. The Authority is economically dependent upon this funding source.

**F. COMMITMENTS AND CONTINGENCIES**

In the normal course of operations, the Authority becomes a party to various claims and lawsuits. In the opinion of the legal counsel and Authority management, the ultimate resolution of such matters will not have a material effect on the financial position of the Authority. There were no pending claims or lawsuits during the year ended September 30, 2007.

**G. ADJUSTMENTS**

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	\$ 3,132,899
Adjustments:	
Capital assets	7,121,375
Accumulated depreciation	(6,888,710)
Net pension asset	322,187
Accrued compensated absences	<u>(100,091)</u>
Net assets of governmental activities	<u>\$ 3,587,660</u>

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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Following is an explanation of the adjustments between the governmental fund revenues, expenditures and changes in fund balance and the government-wide statement of activities, which reconciles fund balance to net assets:

Change in fund balance	\$ 647,005
Adjustments:	
Depreciation expense	(77,912)
Capital asset additions	23,380
Decrease in net pension asset	(32,209)
Increase in compensated absences	<u>(10,527)</u>
Change in net assets	<u>\$ 549,737</u>

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

November 28, 2007

To the Authority Finance Committee  
Saginaw County 911 Communications Center Authority  
Saginaw, Michigan

We have audited the financial statements of the *Saginaw County 911 Communications Center Authority* for the year ended September 30, 2007, and have issued our report thereon dated November 28, 2007. Professional standards require that we provide you with the following information related to our audit.

## **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter dated November 13, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the *Saginaw County 911 Communications Center Authority*. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

## **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the *Saginaw County 911 Communications Center 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. We noted no transactions entered into by the *Saginaw County 911 Communications Center Authority* during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## **Accounting Estimates**

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 financial statements were:

- Management's estimate of the useful lives 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. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks. We evaluated the key factors and assumptions used to develop accrued compensated absences in determining that they are reasonable in relation to the financial statements taken as a whole.

## **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the *Saginaw County 911 Communications Center Authority's* financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the *Saginaw County 911 Communications Center Authority*, either individually or in the aggregate, indicate matters that could have a significant effect on the *Saginaw County 911 Communications Center Authority's* financial reporting process.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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.

## **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.

**Issues Discussed Prior to Retention of Independent Auditors**

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 *Saginaw County 911 Communications Center 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.

**Difficulties Encountered in Performing the Audit**

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

This letter and the accompanying memorandum are intended for the use of the Authority Finance Committee, management, and federal awarding agencies and pass-through entities and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive style with a large, prominent initial 'L'.

# **Saginaw County 911 Communications Center Authority**

## **Comments and Recommendations**

**For the Year Ended September 30, 2007**

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In planning and performing our audit of the financial statements of the *Saginaw County 911 Communications Center Authority* as of and for the year ended September 30, 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 first 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 significant deficiencies.

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. We consider the deficiency described below to be a significant deficiency in 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 significant deficiency, as described below, constitutes a material weakness.

# Saginaw County 911 Communications Center Authority

## Comments and Recommendations

For the Year Ended September 30, 2007

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### Material Weakness

#### 1) Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements

- Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Authority's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)
- Condition: As is the case with many smaller and medium-sized entities, the Authority has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the Authority's *internal* controls.
- Cause: This condition was caused by the Authority's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Authority to perform this task internally.
- Effect: As a result of this condition, the Authority lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.
- View of Responsible Officials: The Authority has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Authority to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

### Other Matters

None.

\* \* \* \* \*