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, 2005

Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	C.C.E. Central Dispatch Authority	Emmet

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
12/31/05	November 30, 2006	January 18, 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	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number
Smolinski & Christman, P.C.	231-347-5555

Street Address	City	State	Zip
555 Michigan St.	Petoskey	MI	49770

Authorizing CPA Signature	Printed Name	License Number
	Kevin R. Christman	1101010989

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2-7
BASIC FINANCIAL STATEMENTS:	
GOVERNMENTAL FUND BALANCE SHEET/ STATEMENT OF NET ASSETS	8
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES	9
NOTES TO FINANCIAL STATEMENTS	10-17
REQUIRED SUPPLEMENTARY INFORMATION:	
BUDGETARY COMPARISON SCHEDULE - CASH BASIS	18

Smolinski & Christman, P.C.
Certified Public Accountants

Janice W. Smolinski, C.P.A.
Kevin R. Christman, C.P.A.
Mona C. O'Neil, C.P.A.
Daniel D. Rasmussen, C.P.A.
Ted M. Teller, C.P.A.

Adam B. Caron, C.P.A.

555 Michigan Street
Petoskey, Michigan 49770
(231) 347-5555
Fax (231) 347-5639

November 30, 2006

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, 2005, 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, 2005, 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 18, 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, 2005

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, 2005. 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, 2005 by $3,270,122 (net assets). Of this amount, $973,347 (unrestricted net assets) may be used to meet the ongoing obligations for Authority programs.
- The Authority's total net assets increased by $518,935. A key factor in this increase was net assets restricted for capital improvements, which increased $226,408.
- At December 31, 2005, the Authority's general fund balance was $1,484,744, an increase of $548,375.
- At December 31, 2005, unreserved fund balance for the general fund was $830,814, or 47% 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.

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 16 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 18.

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 $3,270,122 at the close of the year ended December 31, 2005. The following table represents condensed financial information regarding the Authority's financial position of December 31, 2005 and 2004:

		2005	2004
Assets			
	Current Assets	$1,608,475	$1,071,653
	Capital Assets, net	1,741,693	1,750,547
	Total assets	$3,350,168	$2,822,200
Liabilities			
	Current Liabilities	$ 70,652	$ 63,114
	Long-term Liabilities	9,394	7,899
	Total liabilities	$ 80,046	$ 71,013
Net Assets			
	Invested in capital assets	$1,741,693	$1,750,547
	Restricted for capital improvement	555,082	328,674
	Unrestricted	973,347	671,966
	Total net assets	$3,270,122	$2,751,187

The largest portion of the Authority's net assets (53 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.

A portion of the Authority's net assets (17 percent) is restricted for capital improvements. This restriction was imposed by the counties. The counties passed a resolution to assess a 4% surcharge on telephone land lines in the counties. The surcharge revenue is only to be used for the upgrade and replacement of equipment of the Authority.

The unrestricted net assets (30 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 $518,935, 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, 2005 and 2004:

	2005	2004
Revenues		
Operating contributions	$1,311,216	$1,169,106
Cellular telephone and wireless use fees	333,120	296,866
Telephone surcharges	449,114	329,673
Federal, state, and local grants	157,649	56,393
Interest	31,043	14,991
Other	2,263	1,949
Total revenues	2,284,405	1,868,978
Expenses		
Public safety, including depreciation of $265,846 in 2005 and $461,369 in 2004	1,765,470	1,936,972
Increase (decrease) in net assets	$ 518,935	$ (67,994)

As discussed earlier, the telephone surcharge revenue is restricted for capital improvements. The surcharge was assessed for the first time in 2004.

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 $1,484,744, an increase of $548,375 from the prior year. 56% or $830,814 of the fund balance constitutes unreserved fund balance, which is available for spending at the Authority's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to prepaid expenditures ($98,848) or 2) for capital improvements ($555,082).

The increase in the fund balance of $548,375 indicates that revenues were in excess of expenditures for the year. In the prior year, the fund balance increased by $238,106.

Total revenues of $2,303,495 were higher than prior year revenues of $1,796,808, an increase of $506,687. Revenues from various sources increased significantly in 2005 over 2004 as follows 1) operating contributions increased $142,110; 2) telephone surcharges increased $167,143; and 3) federal, state and local grants increased $101,256.

Total expenditures of $1,755,120 were higher than prior year expenditures of $1,558,702, an increase of $196,418. The most significant variance in expenditures was capital outlay, which increased by $165,994 in the current year ($256,992) from the prior year ($90,998). The current year included significant expenditures for infrastructure upgrades not 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. A 4% telephone surcharge was approved by each of the counties, beginning in 2004, authorizing a charge for each telephone land line of $.80 per month to be assessed and forwarded to the Authority. These incoming funds are restricted for the upgrade and improvement of infrastructure of the Authority.

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 not amended during the year.

The Authority received $1,986,619 in revenues on the cash basis of accounting. The amount budgeted for revenues was $2,362,715. Thus, the Authority was $376,096 under budget in revenues. This shortage was mainly caused by the aforementioned 4% telephone surcharge being $304,403 under budget. This shortage is a result of overbudgeting revenue.

The Authority's expenditures were $1,751,635 on the cash basis of accounting. The amount budgeted for expenditures was $1,735,715. Thus, the Authority was $15,920 over budget in expenditures.

Capital Assets

The Authority's investment in capital assets for its governmental activities as of December 31, 2005, amounts to $1,741,693 (net of accumulated depreciation). The Authority's capital assets as of December 31, 2005 and 2004 consist of the following:

	2005	2004
Land	$ 78,118	$ 78,118
Building and improvements	1,118,378	1,118,378
Furniture and equipment	1,927,338	1,691,206
Vehicles	22,715	40,712
Software	843,550	822,690
Total capital assets	3,990,099	3,751,104
Less accumulated depreciation	2,248,406	2,000,557
Total capital assets, net	$1,741,693	$1,750,547

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

Economic Factors and Next Year's Budget

The Authority plans to expend approximately $2,250,000 in 2005, 2006 and 2007 for capital improvements to its communication system. The improvements will be financed by grants and telephone surcharge income.

The following items were considered in preparing the budget for the Authority for the year ended December 31, 2006:

- The Authority would realize an increase in wages and health benefits for the employees.
- The Authority would be receiving significant revenues from the 4% telephone surcharges authorized by the counties and from a federal grant, and that these revenues would be utilized solely for the upgrade and improvement of the infrastructure of the Authority, to include towers and tower equipment, radio equipment, etc.
- The Authority would realize increases in the cost of maintenance and support of the hardware and software, as well as licensing of software for the various systems and applications needed by the Authority and agencies served by the Authority.
- The Authority would use part of the fund balance to offset increases to the appropriations to the counties for the funding of the operation of the Authority.

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, MI 49770.

C.C.E. CENTRAL DISPATCH AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
December 31, 2005

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
ASSETS:			
Cash	$ 170,788	$ -	$ 170,788
Restricted cash	395,258	-	395,258
Certificates of deposit	510,555	-	510,555
Due from other governmental units	365,556	53,079	418,635
Interest receivable	14,391	-	14,391
Prepaid expenditures	98,848	-	98,848
Capital assets, net of accumulated depreciation	-	1,741,693	1,741,693
Total assets	$1,555,396	$1,794,772	$3,350,168
LIABILITIES:			
Accounts payable	$ 22,695	$ -	$ 22,695
Accrued payroll and taxes	19,564	-	19,564
Deferred grant revenue	28,393	-	28,393
Accrued compensated absences	-	9,394	9,394
Total liabilities	70,652	9,394	80,046
FUND BALANCE/NET ASSETS:			
Fund balance:			
Reserved for:			
Prepaid expenditures	98,848	(98,848)	-
Capital improvements	555,082	(555,082)	-
Unreserved	830,814	(830,814)	-
Total fund balance	1,484,744	(1,484,744)	-
Total liabilities and fund balance	$1,555,396		
Net assets:			
Invested in capital assets		1,741,693	1,741,693
Restricted for capital improvements		555,082	555,082
Unrestricted		973,347	973,347
Total net assets		$3,270,122	$3,270,122

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, 2005

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
REVENUES:			
Contributions from participating municipalities	$1,311,216	$ -	$1,311,216
Cellular telephone and wireless user fees	328,359	4,761	333,120
Telephone surcharges	472,965	(23,851)	449,114
County grants	157,649	-	157,649
Interest	31,043	-	31,043
Other	2,263	-	2,263
Total revenues	2,303,495	(19,090)	2,284,405
EXPENDITURES:			
Public safety:			
Salaries and wages	746,177	1,496	747,673
Payroll taxes	57,095	-	57,095
Employee benefits	187,226	-	187,226
Retirement plan	54,813	-	54,813
Professional and contractual services	74,968	-	74,968
Utilities	29,321	-	29,321
Supplies and postage	21,562	-	21,562
Vehicle	1,215	-	1,215
Travel	739	-	739
Telephone	120,716	-	120,716
Repairs and maintenance	74,242	-	74,242
Education and training	7,117	-	7,117
Miscellaneous	1,758	-	1,758
Rent	5,609	-	5,609
Insurance	19,424	-	19,424
Mapping	22,175	-	22,175
Licensing	73,971	-	73,971
Depreciation	-	265,846	265,846
Capital outlay	256,992	(256,992)	-
Total expenditures	1,755,120	10,350	1,765,470
NET CHANGE IN FUND BALANCE/ NET ASSETS	548,375	(29,440)	518,935
FUND BALANCE/NET ASSETS, beginning of year	936,369	1,814,818	2,751,187
FUND BALANCE/NET ASSETS, end of year	$1,484,744	$1,785,378	$3,270,122

The accompanying notes are a part of the financial statements.

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.

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.

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. There are no resources required to be accounted for in another fund.

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

Assets, Liabilities and Net Assets or Equity

Cash and Investments

Cash includes amounts in petty cash and demand deposits. Investments, if any, would include instruments allowed by state statue subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorized the Authority to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Authority is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

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

Assets, Liabilities and Net Assets or Equity (Continued)

Restricted Cash

The Authority's restricted cash consists of unspent funds collected under a surcharge for upgrade and replacement of equipment.

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 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.

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

Deferred Grant Revenue

The Authority has received grants of $28,393 from the Local Revenue Sharing Board which were not spent at December 31, 2005. Therefore, the grants are recorded as deferred revenue at December 31, 2005. The Authority anticipates recording revenue in 2006 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

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

Assets, Liabilities and Net Assets or Equity (Continued)

Fund Equity (Continued)

outside parties for use for a specific purpose. The reserve for capital improvements represents the fund balance of a 4 percent surcharge assessed by the counties on telephone land lines. The counties passed a resolution allowing the surcharge to be assessed until December 31, 2006; provided, however that if all or a portion of the emergency telephone operational charge has been pledged as security for payment of qualified obligations, the charge may be levied and collected to the extent required to pay the qualified obligations or satisfy the pledge. The surcharge is to be used to assist in the funding of the upgrade and replacement of equipment by the Authority, per the resolution.

Change in Accounting Estimate

The Authority changed the depreciation life on its OSSI/CAD software from 3 years to 10 years to more reasonably approximate the asset's estimated useful life. The following is a summary of the approximate effect on current and future years' change in net assets as a result of the difference in depreciation expense due to the change:

Year	Increase (Decrease) in Change in Net Assets
2005	$201,000
2006	79,000
2007-2012	(43,000)
2013	(22,000)

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.

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 - BUDGET:

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.

	Revenues	Expenditures
Amounts on GAAP basis	$2,303,495	$1,755,120
GAAP to cash basis accrual adjustment (decrease)	(316,876)	(3,485)
Amounts on cash basis	$1,986,619	$1,751,635

The approved budget was overexpended by $15,920, which is explained in the required supplementary information section.

NOTE C - DEPOSITS AND CREDIT RISK:

At December 31, 2005, the carrying amount of the Authority's cash and certificate of deposit is $1,076,615 and the bank balance is $1,222,324. Of the bank balance $100,000 is insured by the FDIC, and the remaining $1,022,324 is uninsured and uncollateralized.

NOTE D - DUE FROM OTHER GOVERNMENTAL UNITS:

Due from other governmental units of $418,635 at December 31, 2005 consists of the amounts due from the participating municipalities for cellular and wireless fees, telephone surcharges and grants.

No allowance for doubtful accounts is considered necessary.

NOTE E - CAPITAL ASSETS:

The following is a summary of changes in the various fixed asset class categories for the year ended December 31, 2005:

	Beginning Balance	Additions	Disposals	Ending Balance
Nondepreciable capital assets:				
Land	$ 78,118	$ -	$ -	$ 78,118
Depreciable capital assets:				
Building and improvements	1,118,378	-	-	1,118,378
Furniture and equipment	1,691,206	236,132	-	1,927,338
Vehicles	40,712	-	17,997	22,715
Software	822,690	20,860	-	843,550
Total depreciable capital assets	3,672,986	256,992	17,997	3,911,981
Total capital assets	3,751,104	256,992	17,997	3,990,099
Accumulated depreciation	2,000,557	265,846	17,997	2,248,406
Net capital assets	$1,750,547	$ (8,854)	$ -	$1,741,693

Depreciation expense of $265,846 was all charged to the public safety function.

NOTE F - 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 2005 is as follows:

County	Funding Percent	Contribution
Charlevoix	32	$ 419,589
Cheboygan	31	406,477
Emmet	37	485,150
Total	100	$1,311,216

NOTE G - 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, 2005 totaled $54,813.

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, 2005 totaled $10,967.

NOTE H - 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.

NOTE H - 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.

NOTE I - GASB 34 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	$1,484,744
Adjustments:	
Due from other governmental units, Amounts not collected within 60 days of the end of the current fiscal period	53,079
Capital assets	3,990,099
Accumulated depreciation	(2,248,406)
Accrued compensated absences	(9,394)
Net assets of governmental activities	$3,270,122

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	$ 548,375
Adjustments:	
Increase (decrease) in revenue amounts not received within 60 days of the end of the fiscal period:	
Cellular telephone and wireless user fees	4,761
Telephone surcharges	(23,851)
Capital outlay expense	256,992
Depreciation expense	(265,846)
Increase in compensated absences	(1,496)
Change in net assets	$ 518,935

NOTE J - OPERATING LEASES:

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, 2005 was approximately $8,000.

NOTE J - OPERATING LEASES (Continued):

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

Year Ended December 31	
2006	$ 47,000
2007	50,000
2008	53,000
2009	53,000
2010	45,000
2011-2015	9,000
Total	$257,000

NOTE K - SUBSEQUENT EVENT/COMMITMENT:

The Authority's board of directors has approved expending approximately $2,250,000 for a capital improvement project. The project cost includes purchase of land adjacent to the existing Center for construction of a new communications tower and various equipment and related costs. The Authority expended approximately $1,447,000 on the project through November 30, 2006 and has existing contracts for expenditures totaling approximately $401,000. The remaining $402,000 will be expended for completion of the project.

The project will be funded, in part, by federal grants totaling approximately $445,000. The remainder is expected to be funded by telephone surcharge revenues.

C.C.E. CENTRAL DISPATCH AUTHORITY
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
for the year ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable/ (Unfavorable)
REVENUES:				
Contributions from participating municipalities	$1,371,215	$1,371,215	$1,311,215	$ (60,000)
Cellular telephone and wireless user fees	250,000	250,000	242,694	(7,306)
Telephone surcharges	627,000	627,000	322,597	(304,403)
County grants	-	-	88,700	88,700
State grant	6,500	6,500	-	(6,500)
Interest	7,500	7,500	19,150	11,650
Other	100,500	100,500	2,263	(98,237)
Total revenues	2,362,715	2,362,715	1,986,619	(376,096)
EXPENDITURES:				
Salaries and wages	702,045	702,045	742,401	(40,356)
Payroll taxes	58,143	58,143	56,814	1,329
Employee benefits	209,891	209,891	186,638	23,253
Retirement plan	65,000	65,000	54,813	10,187
Professional and contractual services	100,000	100,000	78,511	21,489
Utilities	25,000	25,000	28,952	(3,952)
Supplies and postage	22,500	22,500	21,624	876
Vehicle	500	500	1,164	(664)
Travel	2,500	2,500	746	1,754
Telephone	123,910	123,910	114,505	9,405
Repairs and maintenance	85,500	85,500	76,187	9,313
Education and training	3,500	3,500	7,147	(3,647)
Miscellaneous	16,950	16,950	1,750	15,200
Rent	22,000	22,000	5,609	16,391
Insurance	20,000	20,000	19,155	845
Mapping	27,000	27,000	22,175	4,825
Licensing	77,626	77,626	77,612	14
Capital outlay	173,650	173,650	255,832	(82,182)
Total expenditures	1,735,715	1,735,715	1,751,635	(15,920)
REVENUES OVER (UNDER) EXPENSES	$ 627,000	$ 627,000	234,984	$ (392,016)
FUND BALANCE, beginning of year			841,616	
FUND BALANCE, end of year			$1,076,600	

Smolinski & Christman, P.C.
Certified Public Accountants

Janice W. Smolinski, C.P.A.
Kevin R. Christman, C.P.A.
Mona C. O'Neil, C.P.A.
Daniel D. Rasmussen, C.P.A.
Ted M. Teller, C.P.A.

Adam B. Caron, C.P.A.

555 Michigan Street
Petoskey, Michigan 49770
(231) 347-5555
Fax (231) 347-5639

December 28, 2006

Jane Brannon, Fiscal Agent
Robert D. Bradley, Director
C.C.E. Central Dispatch Authority
1694 South U.S. 131 Hwy
Petoskey, Michigan 49770

We have audited the financial statements of the C.C.E. Central Dispatch Authority for the year ended December 31, 2005, and have issued our report thereon dated November 30, 2006. In planning and performing our audit of the financial statements of the C.C.E. Central Dispatch Authority, we considered its 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 internal control. During the course of our audit, we became aware of several matters that represent an opportunity for strengthening operating controls and improving financial reporting.

The following comments are repeated from last year's letter:

Equipment Inventory

We recommend that the Authority consider implementing a fixed asset identification system, whereby all assets are tagged and logged with information including the cost and where the asset is located. The fixed asset inventory is an important control to ensure a proper accounting of all fixed assets owned by the Authority. Random checks should be performed periodically against the inventory to make sure that the asset exists in the proper location.

Revenue Classifications and Monitoring

Several adjusting journal entries were required to reclassify revenue to the correct accounts. It is very important to classify revenues properly so that the recorded amounts correspond with the budget. We recommend that the revenue postings be closely reviewed each month to ensure that they are classified properly.

Also, we noted that in several instances the counties did not remit revenues to the Authority on a timely basis. We recommend that the Authority closely monitor remittance dates to ensure that revenues are received when they are due.

The following comment is a result of the current year audit:

The Authority's internal control system for cash disbursements includes a procedure whereby claim vouchers are stamped "paid" after payment is made. During our audit we noticed several instances where multiple claim vouchers for a check were stamped paid only once. In these situations, the top claim voucher was stamped but the remainder of the vouchers were not. We would recommend that the person who is responsible for this procedure make sure that all of the vouchers are stamped paid to guard against the possibility that the voucher could be paid twice.

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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