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, 2006

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
December 31, 2006	July 11, 2007	July 23, 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	☐	Not considered necessary
Other (Describe)	☐	

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

Street Address	City	State	Zip
555 MICHIGAN STREET	PETOSKEY	MI	49770

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

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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.
Laura L. Schwalbach, C.P.A.

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

July 11, 2007

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, 2006, 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, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Smolinski & Christman, P.C.

C.C.E. CENTRAL DISPATCH AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended December 31, 2006

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, 2006. 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, 2006 by $3,936,344 (net assets). Of this amount, $803,385 (unrestricted net assets) may be used to meet the ongoing obligations for Authority programs.
- The Authority's total net assets increased by $694,365.
- At December 31, 2006, the Authority's general fund balance was $812,779, a decrease of $643,822.
- At December 31, 2006, unreserved fund balance for the general fund was $699,810, or 22% 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 18 of this report.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceed liabilities by $3,936,344 at the close of the year ended December 31, 2006. The following table represents condensed financial information regarding the Authority's financial position of December 31, 2006 and 2005:

		2006	2005
Assets			
	Current Assets	$1,079,134	$1,608,475
	Capital Assets, net	3,132,959	1,741,693
	Total assets	$4,212,093	$3,350,168
Liabilities			
	Current Liabilities	$ 266,355	$ 70,652
	Long-term Liabilities	9,394	9,394
	Total liabilities	$ 275,749	$ 80,046
Net Assets			
	Invested in capital assets	$3,132,959	$1,741,693
	Restricted for capital improvement	-	555,082
	Unrestricted	803,385	973,347
	Total net assets	$3,936,344	$3,270,122

The largest portion of the Authority's net assets (80 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 at December 31, 2005 was restricted for capital improvements. This restriction was imposed by the counties. The counties passed a resolution in 2004 to assess a 4% surcharge on telephone land lines in the counties. The surcharge revenue is only to be used to assist in the funding of the upgrade and replacement of equipment. The Authority collected additional 4 percent surcharge revenue in 2006. These funds, in addition to the restricted balance at December 31, 2005, were spent in 2006 on capital improvements. Therefore, there is no restricted net asset balance at December 31, 2006.

The unrestricted net assets (20 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 $694,366, 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, 2006 and 2005:

	2006	2005
Revenues		
Operating contributions	$1,293,781	$1,311,216
Cellular telephone and wireless use fees	301,346	333,120
Telephone surcharges	543,515	449,114
Federal, state, and local grants	306,576	157,649
Interest	58,808	31,043
Other	(1,157)	2,263
Total revenues	2,502,869	2,284,405
Expenses		
Public safety, including depreciation of $242,031 in 2006 and $265,846 in 2005	1,808,503	1,765,470
Increase in net assets	$ 694,366	$ 518,935

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

Financial Analysis of the Government's Funds

Governmental fund. As noted earlier, the focus of the governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current year, the Authority's governmental fund reported an ending fund balance of $812,779, a decrease of $643,822 from the prior year. The unreserved fund balance, which is available for spending at the Authority's discretion, is $699,810 or 86 percent of the total. The remaining $112,969 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to prepaid expenditures.

The decrease in the fund balance of $643,822 indicates that expenditures were in excess of revenues for the year. In the prior year, the fund balance increased by $548,375.

Total revenues of $2,559,787 were higher than prior year revenues of $2,303,495, an increase of $256,292. Revenues from various sources increased significantly in 2006 over 2005 as follows 1) cellular telephone and wireless user fees increased $26,065; 2) telephone surcharges increased $70,550; and 3) federal, state and local grants increased $148,927.

Total expenditures of $3,203,609 were higher than prior year expenditures of $1,755,120, an increase of $1,448,489. The most significant variance in expenditures was capital outlay, which increased by $1,380,145. 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. The Authority also receives significant funding from surcharges and fees on telephone land lines, which is designated for capital improvements, and cellular telephone and wireless equipment.

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

The Authority received $2,782,488 in revenues on the cash basis of accounting. The amount budgeted for revenues was $2,250,282. Thus, the Authority was $532,206 over budget in revenues. This overage was mainly caused by grants being $372,373 over budget. This overage is a result of under budgeting revenue.

The Authority's expenditures were $3,074,861 on the cash basis of accounting. The amount budgeted for expenditures was $1,723,282. Thus, the Authority was $1,351,579 over budget in expenditures. This average was mainly caused by capital outlay being $1,395,092 over budget.

Capital Assets

The Authority's investment in capital assets for its governmental activities as of December 31, 2006, amounts to $3,132,959 (net of accumulated depreciation). The Authority's capital assets as of December 31, 2006 and 2005 consist of the following:

	2006	2005
Land	$ 414,887	$ 78,118
Construction in progress	1,271,267	-
Building and improvements	1,118,378	1,118,378
Furniture and equipment	120,217	118,252
Communication equipment, connector hardware and software	2,646,576	2,652,637
Vehicle	22,715	22,715
Total capital assets	5,594,040	3,990,100
Less accumulated depreciation	2,461,081	2,248,407
Total capital assets, net	$3,132,959	$1,741,693

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

Economic Factors and Next Year's Budget

The following items were considered in preparing the budget for the Authority for the year ended December 31, 2007:

- 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 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, 2006

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
ASSETS:			
Cash	$ 256,633	$ -	$ 256,633
Investment (certificate of deposit)	527,596	-	527,596
Receivables	158,143	-	158,143
Interest receivable	23,793	-	23,793
Prepaid expenditures	112,969	-	112,969
Capital assets, net of accumulated depreciation	-	3,132,959	3,132,959
Total assets	$1,079,134	$3,132,959	$4,212,093
LIABILITIES:			
Accounts payable	$ 155,215	$ -	$ 155,215
Accrued payroll and taxes	23,628	-	23,628
Deferred grant revenue	53,081	-	53,081
Accrued compensated absences	-	9,394	9,394
Accrued rent	34,431	-	34,431
Total liabilities	266,355	9,394	275,749
FUND BALANCE/NET ASSETS:			
Fund balance:			
Reserved for,			
Prepaid expenditures	112,969	(112,969)	-
Unreserved	699,810	(699,810)	-
Total fund balance	812,779	(812,779)	-
Total liabilities and fund balance	$1,079,134		
Net assets:			
Invested in capital assets		3,132,959	3,132,959
Unrestricted		803,385	803,385
Total net assets		$3,936,344	$3,936,344

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, 2006

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
REVENUES:			
Contributions from participating municipalities	$1,293,781	$ -	$1,293,781
Cellular telephone and wireless user fees	354,424	(53,079)	301,345
Telephone surcharges	543,515	-	543,515
Federal grants	275,210	-	275,210
County grants	21,054	-	21,054
Local revenue sharing board grants	10,312	-	10,312
Interest	58,808	-	58,808
Other	2,683	(3,840)	(1,157)
Total revenues	2,559,787	(56,919)	2,502,868
EXPENDITURES:			
Public safety:			
Salaries and wages	742,273	-	742,273
Payroll taxes	56,473	-	56,473
Employee benefits	186,194	-	186,194
Retirement plan	53,497	-	53,497
Professional and contractual services	92,585	-	92,585
Utilities	30,489	-	30,489
Supplies and postage	21,787	-	21,787
Vehicle	1,228	-	1,228
Travel	5,429	-	5,429
Telephone	108,083	-	108,083
Repairs and maintenance	81,905	-	81,905
Education and training	1,806	-	1,806
Miscellaneous	4,584	-	4,584
Rent	56,239	-	56,239
Insurance	19,215	-	19,215
Mapping	24,383	-	24,383
Licensing	80,302	-	80,302
Depreciation	-	242,031	242,031
Capital outlay	1,637,137	(1,637,137)	-
Total expenditures	3,203,609	(1,395,106)	1,808,503
NET CHANGE IN FUND BALANCE/NET ASSETS	(643,822)	1,338,187	694,365
FUND BALANCE/NET ASSETS, beginning of year	1,456,601	1,785,378	3,241,979
FUND BALANCE/NET ASSETS, end of year	$ 812,779	$3,123,565	$3,936,344

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.

Assets, Liabilities and Net Assets or Equity

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand and demand deposits and short-term investments with a maturity of three months of less when acquired. Investments are stated at fair value.

Prepaid Expenses

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

Capital Assets

Capital assets, which include land, building, furniture, equipment, vehicles, and software are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets 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.

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

Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

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

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

Deferred Grant Revenue

The Authority has received grants of $53,081 from the Local Revenue Sharing Board which were not spent at December 31, 2006. Therefore, the grants are recorded as deferred revenue at December 31, 2006. The Authority anticipates recording revenue in 2007 when the grant funds are expected to be spent for their designated purposes.

Compensated Absences

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

Fund Equity

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

Contributions

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

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

Assets, Liabilities and Net Assets or Equity (Continued)

Use of Estimates

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

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

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

Governmental fund balance	$ 812,779
Adjustments:	
Capital assets	5,594,040
Accumulated depreciation	(2,461,081)
Accrued compensated absences	(9,394)
Net assets of governmental activities	$3,936,344

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	$ (643,822)
Adjustments:	
Increase (decrease) in revenue amounts not received within 60 days of the end of the fiscal period:	
Cellular telephone and wireless user fees	(53,078)
Other revenue	(3,840)
Capital outlay expense	1,637,137
Depreciation expense	(242,031)
Change in net assets	$ 694,366

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

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

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

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

	Revenues	Expenditures
Amounts on GAAP basis	$2,559,787	$3,203,609
GAAP to cash basis accrual adjustment (decrease)	222,701	(128,750)
Amounts on cash basis	$2,782,488	$3,074,859

The approved budget was overexpended by $1,351,577, which is explained in the required supplementary information section.

NOTE D - DEPOSITS AND INVESTMENTS:

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

The Authority's deposits are in accordance with statutory authority. The bank balance of the Authority's demand deposit and certificate of deposit accounts is $819,757, of which $200,000 is covered by federal depository insurance.

NOTE E - RECEIVABLES:

Receivables at December 31, 2006 are as follows:

Due from counties for cellular user fees	$ 85,930
Due from counties and telephone companies for 4 percent surcharge	44,372
Due from Department of Justice for reimbursement of expenditures under federal grant	27,841
Total	$158,143

No allowance for doubtful accounts is considered necessary.

NOTE F - CAPITAL ASSETS:

The following is a summary of changes in the various fixed asset class categories for the year ended December 31, 2006:

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable capital assets:				
Land	$ 78,118	$ 336,769	$ -	$ 414,887
Construction in progress	-	1,271,267	-	1,271,267
Subtotal	78,118	1,608,036	-	1,686,154
Depreciable capital assets:				
Buildings and improvements	1,118,378	-	-	1,118,378
Furniture and equipment	118,252	1,965	-	120,217
Communication equipment, computer hardware and software	2,652,636	27,135	(33,196)	2,646,575
Vehicle	22,715	-	-	22,715
Subtotal	3,911,981	29,100	(33,196)	3,907,885
Less accumulated depreciation:				
Buildings and improvements	304,984	27,959	-	332,943
Furniture and equipment	87,720	8,146	-	95,866
Communication equipment, computer hardware and software	1,848,888	201,383	(29,357)	2,020,914
Vehicle	6,814	4,543	-	11,357
Subtotal	2,248,406	242,031	(29,357)	2,461,080
Net depreciable capital assets	1,663,575	(212,931)	(3,839)	1,446,805
Total capital assets - net of depreciation	$1,741,693	$1,395,105	$ (3,839)	$3,132,959

Depreciation expense of $242,031 was all charged to the public safety function.

NOTE G - LINE OF CREDIT:

The Authority has a $1,000,000 revolving line of credit, none of which was used at December 31, 2006. Bank advances on the credit line are payable on December 10, 2007, the maturity date of the loan and carry an interest rate of one-half of the prime rate (4.125 percent at December 31, 2006). The credit line is unsecured.

NOTE H - PRIOR PERIOD ADJUSTMENT:

The Authority had not recorded a liability for accrued rent for tower space under a tower lease agreement at December 31, 2005. Accordingly, the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities reflects an adjustment of $28,143 to decrease the previously reported Fund Balance at December 31, 2005 from $1,484,744 to $1,456,601 and to decrease previously reported Net Assets from $3,270,122 to $3,241,979.

NOTE I - 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 2006 is as follows:

County	Funding Percent	Contribution
Charlevoix	32	$ 414,010
Cheboygan	31	401,072
Emmet	37	478,699
Total	100	$1,293,781

NOTE J - 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, 2006 totaled $53,497.

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, 2006 totaled $10,243.

NOTE K - 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 K - 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 L - 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, 2006 was approximately $56,200.

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

Year Ended December 31	
2007	$ 58,000
2008	62,000
2009	64,000
2010	57,000
2011	13,000
2012	10,000
Total	$264,000

NOTE M - SUBSEQUENT EVENTS/COMMITMENTS:

The Authority entered into contracts in 2006 for the purchase of equipment and upgrade of its communication system. The balance due on contracts at December 31, 2006 was approximately $86,000. In addition, the Authority entered into contracts for approximately $212,000 in 2007.

Expenses for the purchase of equipment and upgrade of the communication system are to be funded by revenue from a four percent surcharge on telephone land lines and federal grants.

NOTE M - SUBSEQUENT EVENTS/COMMITMENTS (Continued):

The following is a summary of approximate revenues and expenses that are to be paid for by the four percent surcharge revenue (grant expenses are not included, as they are offset dollar for dollar by grant revenue):

As of December 31, 2006:	
Four percent surcharge revenue received in 2004, 2005 and 2006	$1,322,000
Expenses incurred in 2004, 2005 and 2006	1,540,000
Excess of expenses over revenue	218,000
Additional 2007 expenses:	
Balance of 2006 contracts	86,000
2007 contracts	212,000
Total expenses	$ 516,000

The Authority anticipates receiving sufficient surcharge revenue in 2007 to cover these expenses.

C.C.E. CENTRAL DISPATCH AUTHORITY
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
for the year ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable/ (Unfavorable)
REVENUES:				
Contributions from participating municipalities	$1,353,782	$1,353,782	$1,293,782	$ (60,000)
Cellular telephone and wireless user fees	260,000	260,000	403,216	143,216
Telephone surcharges	627,000	627,000	661,028	34,028
Federal grants	-	-	247,369	247,369
County grants	-	-	90,004	90,004
Local revenue sharing board grants	-	-	35,000	35,000
Interest	7,000	7,000	49,406	42,406
Other	2,500	2,500	2,683	183
Total revenues	2,250,282	2,250,282	2,782,488	532,206
EXPENDITURES:				
Salaries and wages	739,800	739,800	738,209	1,591
Payroll taxes	66,000	66,000	56,473	9,527
Employee benefits	184,332	184,332	189,356	(5,024)
Retirement plan	55,000	55,000	53,497	1,503
Professional and contractual services	85,500	85,500	76,535	8,965
Utilities	30,000	30,000	30,332	(332)
Supplies and postage	19,350	19,350	22,235	(2,885)
Vehicle	1,250	1,250	1,248	2
Travel	2,000	2,000	5,429	(3,429)
Telephone	129,500	129,500	112,895	16,605
Repairs and maintenance	92,500	92,500	84,947	7,553
Education and training	3,500	3,500	1,806	1,694
Miscellaneous	16,950	16,950	4,515	12,435
Rent	53,600	53,600	53,995	(395)
Insurance	20,000	20,000	20,434	(434)
Mapping	24,000	24,000	23,899	101
Licensing	80,000	80,000	83,962	(3,962)
Capital outlay	120,000	120,000	1,515,092	(1,395,092)
Total expenditures	1,723,282	1,723,282	3,074,859	(1,351,577)
REVENUES OVER (UNDER) EXPENSES	$ 527,000	$ 527,000	(292,371)	$ (819,371)
FUND BALANCE, beginning of year			1,076,600	
FUND BALANCE, end of year			$ 784,229	