

### 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 Central Operations for Police Services	County Muskegon
Fiscal Year End 9/30/07	Opinion Date 12/14/07	Date Audit Report Submitted to State 12/18/07	

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.)
- 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.
  - 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.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - 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.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - 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).
  - 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.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - 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 type="checkbox"/>	No comments or recommendations.
Other (Describe)	<input type="checkbox"/>	No single audit or other items required.
Certified Public Accountant (Firm Name) BRICKLEY DELONG	Telephone Number 231-726-5800	
Street Address 316 MORRIS AVE., SUITE 500	City MUSKEGON	State   Zip MI   49443
Authorizing CPA Signature <i>Timothy D. Arter, CPA</i> for Brickley DeLong, PLLC	Printed Name TIMOTHY D. ARTER	License Number 10253

Central Operations for Police Services  
Muskegon County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended September 30, 2007

# Central Operations for Police Services

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# **CENTRAL OPERATIONS FOR POLICE SERVICES**

## **Management's Discussion and Analysis**

As management of Central Operations for Police Services, we present to the readers of the Organization's financial statements this overview and analysis of the financial activities of the Central Operations for Police Services for the fiscal year ended September 30, 2007. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### **FINANCIAL HIGHLIGHTS**

- The Organization's net assets increased by \$843,432 (19.33%) from \$4,362,923 to \$5,206,355. The primary reason for the large increase is the property tax levy. The levy is being used to repay contractual debt to Muskegon County which was incurred for the installation of a county wide fiber optic network and purchase of an integrated public safety data system. The repayment of long-term debt consumes the current financial resources of the organization but does not have any affect on net assets. In future periods as the capital assets purchased with the debt are depreciated, net assets will decrease.
- The Organization is in the midst of finishing significant capital improvements. These improvements have been made in phases, with each phase being funded by a separate contract payable with a bank. These contracts payable will be repaid by a property tax millage that is reserved for debt retirement.
- One of the original first phase projects included the installation of a county wide fiber optic network and the purchase of an integrated public safety data software package. A contract payable in the amount of \$2,839,041 was entered into December 2003 for those related expenditures. The fiber optics portion has been completed. The software solution vendor was terminated and that contract is being litigated through arbitration with a hearing set for the end of January of 2008. An agreement with an alternative vendor was reached in November of 2006 and that system became operational in October of 2007.
- Two of the final projects involving the radio system upgrade and the wireless connectivity to support the mobile data computers have been deferred into the 2007-08 fiscal year budgets. The radio system has taken longer to get into the final acceptance stage than anticipated and the wireless connectivity project has signal issues that are still being resolved.
- The unspent contracts payable proceeds are maintained in a restricted bank account where invoices are paid as expenditures are incurred. The restricted account balance is invested in a money market account that earns a low rate of interest to reduce the cost of borrowing the money. The restricted account balance represents funds available for capital purchases in future phases of the project.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of three parts - *management's discussion and analysis (this section)*, *the basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Organization.

- The first column of the financial statements includes information on the Organization's General Fund under the modified accrual method. These financial statements focus on current resources and provide a detailed view about the Organization's sources and uses of funds.

# CENTRAL OPERATIONS FOR POLICE SERVICES

## Management's Discussion and Analysis

- The "Adjustments" column of the financial statements represents adjustments necessary to convert the modified accrual statements to the government-wide financial statements under the full accrual method.
- The third column provides both long-term and short-term information about the Organization's overall financial status. The "Statement of Net Assets" and the "Statement of Activities" provide information about the activities of the Organization as a whole and present a longer term view of the Organization's finances.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

### Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Organization. The net assets may be used as an indicator of a government's financial health. As of September 30, 2007, the Organization's net assets totaled \$5,206,355.

In examining the composition of these net assets, the reader should note that a portion of governmental activities net assets are invested in capital assets (i.e., equipment). These assets are used to provide services to the Organization's members, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental activities actually depict a balance of \$1,786,662. This represents the amount of discretionary resources that can be used for general governmental operations.

#### Net Assets

	2007	2006
Current assets and other assets	\$ 3,489,031	\$ 6,107,001
Capital assets	5,460,215	3,087,568
Total assets	8,949,246	9,194,569
Long-term liabilities	1,777,034	3,120,978
Other liabilities	1,965,857	1,710,668
Total liabilities	3,742,891	4,831,646
Net assets		
Invested in capital assets, net of related debt	3,134,466	1,696,423
Restricted	285,227	988,125
Unrestricted	1,786,662	1,678,375
Total net assets	\$ 5,206,355	\$ 4,362,923

# CENTRAL OPERATIONS FOR POLICE SERVICES

## Management's Discussion and Analysis

Current and other assets decreased as the Organization expended money borrowed in the previous for capital improvements. Capital assets and the net assets category, invested in capital assets, net of related debt increased correspondingly. Long-term liabilities decreased due to scheduled debt repayments.

### Change in Net Assets

	<u>2007</u>	<u>2006</u>
Revenues		
Property taxes	\$ 1,249,655	\$ 1,186,555
Member assessments	1,408,279	1,413,620
Emergency telephone surcharge	617,641	634,974
Wireless surcharge	274,562	259,128
Wireless surcharge training	18,989	15,464
Charges for services	18,315	18,315
Investment earnings	185,244	161,482
Other	24	11,803
Total revenues	<u>3,772,709</u>	<u>3,701,341</u>
Expenses		
Personnel	1,680,419	1,627,946
Maintenance and operations	486,977	502,817
Interest on long-term debt	159,077	132,100
Depreciation and amortization	602,804	374,805
Total expenses	<u>2,929,277</u>	<u>2,637,668</u>
Excess of revenues over expenditures	843,432	1,063,673
Extraordinary item		
Loss on impairment of asset	<u>-</u>	<u>(516,106)</u>
Change in net assets	843,432	547,567
Net assets at beginning of year	<u>4,362,923</u>	<u>3,815,356</u>
Net assets at end of year	<u>\$ 5,206,355</u>	<u>\$ 4,362,923</u>

Member assessments are based on population, taxable value and calls for service. They are charged to members' police and fire agencies in Muskegon County. For the past seven budget years, there has been a freeze on member assessments with the total revenues approximately the same. However, the individual member's contributions have changed slightly according to updated information applied to the formula.

The emergency telephone surcharge has seen a decrease but the wireless surcharge has increased as more individuals replace their home phone with a wireless phone.

# **CENTRAL OPERATIONS FOR POLICE SERVICES**

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## **Management's Discussion and Analysis**

Investment earnings increased significantly due to the holding of the unspent loan proceeds and better interest rates.

Depreciation and amortization saw an increase because the new equipment additions have begun depreciating.

The extraordinary item regarding loss on impairment of asset in the prior year refers to the termination of the software vendor associated with the first phase financing. The Organization determined that there was no value to the work done by that vendor and therefore wrote off construction to date and started over on that part of the project. Discussions are being held in an attempt to recover those payments.

### **Financial Analysis of the Government's Funds**

As stated earlier in this discussion and analysis, the Organization uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Organization has only one fund, the General Fund.

The focus of the Organization's fund is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Organization's financing requirements. In particular, unreserved fund balances or the lack thereof, 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 2007 fiscal year, the General Fund reported a fund balance of \$3,064,360, a decrease of \$2,676,521. The decrease was primarily a result of loan proceeds from the prior year being used to fund the third phase of capital improvements in the current year. The unreserved fund balance was \$1,919,719. Unreserved fund balance represents 30% of General Fund expenditures.

### **General Fund Budget**

During the current fiscal year, the Organization made several amendments to its original budget. The most significant of those is listed below:

- The budget for salaries and wages was decreased from \$1,169,500 to \$1,120,000 as the number of Telecommunicator's fell below the approved staffing level for a considerable portion of the fiscal year.
- The budget for building rental was reduced from \$40,000 to \$21,600 as a planned relocation did not occur as originally scheduled due to contractor delays in the building being ready for occupancy.
- The relocation budget was increased from \$130,000 to \$150,000 as the costs to move were increasing as the project progressed.
- The capital outlay portion of the millage budget was increased from \$1,715,636 to \$2,675,579 because of additional capital project costs that occurred due to the original software vendor being terminated. Some of these additional costs are being covered out of operations as the amount remaining to complete the project exceeds the balance of the loans and are coming directly out of the budget.

# CENTRAL OPERATIONS FOR POLICE SERVICES

## Management's Discussion and Analysis

The following comments summarize the major variations from the final budget to actual revenues and expenditures:

- Investment earnings were over budget by \$90,244 because project milestones were pushed out due to the delays and therefore the bond proceeds were held in our accounts where it continued to earn interest.
- Payroll benefits were under budget by \$16,236 because the number of telecommunicator's fell below the approved staffing level for a considerable portion of the fiscal year.
- Equipment repairs and maintenance costs were under budget by \$22,984 because the installation of new equipment under the capital improvement projects reduced repair costs on older equipment.
- Education and training was under budget by \$16,155 because staffing shortages made it difficult to release staff for training and still maintain required operations.
- Relocation expenditures were over budget by \$85,494 because a new phone system budgeted for the following fiscal year was substantially installed before the end of this fiscal year.
- Principal expenditures were under budget by \$111,388 because the Organization was only required to make eleven debt payments this year because of the way the calendar fell. The Organization had budgeted for twelve debt payments.
- Capital outlay was over budget \$79,533 as the projects progressed there were additional expenditures necessary to move toward completion.

### Capital Assets

Central Operations for Police Services' investment in capital assets as of September 30, 2007 totaled \$5,460,215 (net of accumulated depreciation). This investment in capital assets includes equipment and furniture.

Capital asset additions this year included the completion of the fiber network project, the purchase of distributed mobile data computers for the police and fire departments, and various other hardware and software upgrades. Depreciation expense for the year was \$590,166.

### Capital Assets

	Governmental Activities	
	2007	2006
Communications equipment	\$ 806,882	\$ 647,627
Computer equipment	5,114,665	3,335,057
Office equipment and furniture	41,625	45,428
Construction in progress	1,937,256	1,683,627
Total capital assets	7,900,428	5,711,739
Less accumulated depreciation	2,440,213	2,624,171
Total (net of accumulated depreciation)	\$ 5,460,215	\$ 3,087,568

Additional information on the Organization's capital assets can be found in note D of the "Notes to Financial Statements" of this report.

# **CENTRAL OPERATIONS FOR POLICE SERVICES**

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## **Management's Discussion and Analysis**

### **Long-Term Debt**

At the end of the fiscal year, the Organization had total debt outstanding of \$3,333,034 in contracts payable and compensated absences. Long-term debt decreased by \$1,159,944 during the year due to scheduled debt repayments.

Additional information on the Organization's long-term debt can be found in note G of the "Notes to the Financial Statements" of this report.

### **General Economic Overview**

The 2007-08 fiscal year budget continues to emphasize the completion of the current millage projects that are in progress. Remaining loan proceeds will be spent to acquire the capital assets according to outstanding purchase agreements, necessary to complete the projects.

As noted earlier, costs incurred with the termination of the original software vendor will cause the Organization to spend monies beyond the original loan proceeds in order to complete the projects.

With the lease agreement signed regarding the relocation of the Central Dispatch operation there will also be expenses in excess of the loan agreements in the phase III financing and relocation account that may require the use of funds from operations to complete.

Member assessments will remain frozen as member agencies state revenue sharing has decreased. The wireline operational surcharge continues to decrease and the wireless surcharge continues to increase as more home phone lines are disconnected and replaced by wireless phones.

There are no other planned changes anticipated for the operation of the Organization.

### **Requests for Information**

This financial report is designed to provide a general overview of Central Operations for Police Services' finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director's Office at Central Operations for Police Services, 770 Terrace Street, Muskegon, MI 49440-1219 or by phone at (231) 722-3524.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

December 14, 2007

Board of Directors  
Central Operations for Police Services  
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Central Operations for Police Services as of and for the year ended September 30, 2007, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Central Operations for Police Services' 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 and the major fund of Central Operations for Police Services, as of September 30, 2007, and the respective changes in financial position 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 i - vi and 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Operations for Police Services' basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Central Operations for Police Services  
**BALANCE SHEET—STATEMENT OF NET ASSETS**  
September 30, 2007

	Balance Sheet - Modified accrual	Adjustments	Statement of Net Assets - Full accrual
<b>ASSETS</b>			
Cash and investments	\$ 2,299,329	\$ -	\$ 2,299,329
Accounts receivable	130,093	-	130,093
Due from other governmental units	82,509	-	82,509
Prepaid items	35,759	-	35,759
Restricted assets	926,527	-	926,527
Capital assets, net			
Nondepreciable	-	1,937,256	1,937,256
Depreciable	-	3,522,959	3,522,959
Bond issuance costs, net	-	14,814	14,814
Total assets	<u>\$ 3,474,217</u>	<u>5,475,029</u>	<u>8,949,246</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 260,135	-	260,135
Accrued liabilities	55,190	-	55,190
Deferred revenue	94,532	-	94,532
Noncurrent liabilities			
Due within one year			
Bonds, loans and contracts	-	1,472,000	1,472,000
Compensated absences	-	84,000	84,000
Due in more than one year			
Bonds, loans and contracts	-	1,692,218	1,692,218
Compensated absences	-	84,816	84,816
Total liabilities	<u>409,857</u>	<u>3,333,034</u>	<u>3,742,891</u>
<b>FUND BALANCE</b>			
Reserved for:			
Prepaid items	35,759	(35,759)	-
Debt service	267,306	(267,306)	-
Capital projects	823,655	(823,655)	-
Wireless surcharge training costs	17,921	(17,921)	-
Unreserved			
Undesignated	<u>1,919,719</u>	<u>(1,919,719)</u>	<u>-</u>
Total fund balance	<u>3,064,360</u>	<u>(3,064,360)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 3,474,217</u>		
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		3,134,466	3,134,466
Restricted for:			
Wireless surcharge training costs		17,921	17,921
Debt service		267,306	267,306
Unrestricted		<u>1,786,662</u>	<u>1,786,662</u>
Total net assets		<u>\$ 5,206,355</u>	<u>\$ 5,206,355</u>

The accompanying notes are an integral part of this statement.

Central Operations for Police Services  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE—STATEMENT OF ACTIVITIES**  
 For the year ended September 30, 2007

	Revenues and Expenditures - Modified accrual	Adjustments	Statement of Activities - Full accrual
<b>REVENUES</b>			
Property taxes	\$ 1,249,655	\$ -	\$ 1,249,655
Member assessments	1,408,279	-	1,408,279
Emergency telephone surcharge	617,641	-	617,641
Wireless surcharge	274,562	-	274,562
Wireless surcharge training	18,989	-	18,989
Charges for services	18,315	-	18,315
Investment earnings	185,244	-	185,244
Other	24	-	24
	<u>3,772,709</u>	<u>-</u>	<u>3,772,709</u>
<b>EXPENDITURES</b>			
Current			
Personnel	1,646,517	33,902	1,680,419
Maintenance and operations	694,678	(216,161)	478,517
Debt service			
Principal	1,193,846	(1,193,846)	-
Interest and fees	159,077	-	159,077
Capital outlay	2,755,112	(2,746,652)	8,460
Depreciation and amortization	-	602,804	602,804
	<u>6,449,230</u>	<u>(3,519,953)</u>	<u>2,929,277</u>
Net change in fund balance—net assets	(2,676,521)	3,519,953	843,432
Fund balance—net assets at October 1, 2006	<u>5,740,881</u>	<u>(1,377,958)</u>	<u>4,362,923</u>
Fund balance—net assets at September 30, 2007	<u>\$ 3,064,360</u>	<u>\$ 2,141,995</u>	<u>\$ 5,206,355</u>

The accompanying notes are an integral part of this statement.

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Central Operations for Police Services (Organization) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Organization's accounting policies are described below.

***Reporting Entity***

The Organization was organized as a joint venture under the provisions of the Urban Cooperation Act of 1967, by several local governmental units within Muskegon County. Its purpose is to provide central dispatch for police and fire protection services to the residents of the participating units. The Organization is governed by representatives from each of the member units. Revenues of the Organization include prorated assessments to member municipalities to cover projected operating expenditures for the ensuing year, an emergency telephone surcharge levied on telephone users and property taxes.

Generally accepted accounting principles require that if the Organization has certain oversight responsibilities over other organizations, those organizations should be included in the Organization's financial statements. Since no organizations met this criteria, none are included in the financial statements.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Organization. The Organization only has governmental activities, which normally are supported by taxes and intergovernmental revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Since the Organization has only one governmental fund, no separate columns have been provided.

***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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 Organization 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, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued***

Property taxes, member assessments, telephone surcharges and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Organization.

The Organization reports the following major governmental fund:

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

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 Government Accounting Standards Board.

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

***Assets, Liabilities and Net Assets or Equity***

**Deposits and Investments**

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

The Organization reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Organization intends to hold the investment until maturity.

The Organization has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Organization to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Receivables and Payables**

All trade and property tax receivables are shown net of allowance for uncollectibles.

The County processes property taxes. The Organization does not collect taxes for any other taxing units. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Organization to the County for collection. The County advances the Organization all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Organization. The Organization recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for real/personal property of the Organization totaled approximately \$4,090,000,000. The ad valorem taxes levied consisted of .30 mills for the Organization's general operations. These amounts are recognized in the General Fund.

**Prepaid Items**

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.

**Restricted Assets**

Proceeds of long-term debt are restricted for capital improvements.

**Capital Assets**

Capital assets, which include furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government 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 or constructed. 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 assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Furniture and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Communications equipment	5-15
Computer equipment	5
Office equipment and furniture	5-15

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Compensated Absences**

Organization employees are granted vacation and sick leave in varying amounts based on length of service. Upon termination, employees are paid for unused vacation at their current rates. Unused sick leave is accumulated up to 960 hours for employees. Unused sick leave over the maximum accumulation is paid by the Organization at 50 percent of the excess accumulation on December 31 of each year. One half of all unused accumulated sick leave is paid to employees who retire. All vacation and sick pay is accrued when incurred in the government-wide financial statements. The current portion of this liability is estimated based on historical trends. 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.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds 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. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2007

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end.

The Organization follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to September 30, the Board of Directors reviews a proposed operating budget submitted by the executive director for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The budget is legally enacted through passage of a resolution.
- c. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Board of Directors.

The appropriated budget is prepared by department. The legal level of budgetary control is the department level. The Board of Directors made several supplemental budgetary appropriations throughout the year.

**Excess of Expenditures Over Appropriations**

During the year ended September 30, 2007, actual expenditures exceeded appropriations for relocation by \$85,494 and capital outlay by \$79,533 in the General Fund. These overexpenditures were funded with available fund balance.

**NOTE C—DEPOSITS AND INVESTMENTS**

**Interest rate risk.** The Organization does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by a nationally recognized statistical rating organizations. The Organization has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The Organization does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Organization investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. As of September 30, 2007, \$3,125,756 of the Organization's bank balance of \$3,225,756 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Organization does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Organization is not authorized to invest in investments which have this type of risk.

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2007

**NOTE D—CAPITAL ASSETS**

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

	Balance October 1, 2006	Additions	Deductions	Balance September 30, 2007
<b>Capital assets, not being depreciated:</b>				
Construction in progress	\$ 1,683,627	\$ 2,943,796	\$ 2,690,167	\$ 1,937,256
<b>Capital assets, being depreciated:</b>				
Communications equipment	647,627	215,455	56,200	806,882
Computer equipment	3,335,057	2,493,729	714,121	5,114,665
Office equipment and furniture	45,428	-	3,803	41,625
Total capital assets, being depreciated	4,028,112	2,709,184	774,124	5,963,172
<b>Less accumulated depreciation:</b>				
Communications equipment	605,191	20,285	56,200	569,276
Computer equipment	1,985,360	566,479	714,121	1,837,718
Office equipment and furniture	33,620	3,402	3,803	33,219
Total accumulated depreciation	2,624,171	590,166	774,124	2,440,213
Total capital assets, being depreciated, net	1,403,941	2,119,018	-	3,522,959
Capital assets, net	<u>\$ 3,087,568</u>	<u>\$ 5,062,814</u>	<u>\$ 2,690,167</u>	<u>\$ 5,460,215</u>

**Construction commitments:**

At September 30, 2007, the Organization had entered into agreements for equipment upgrades. Below is a summary of the agreements.

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining</u>
Equipment upgrades	\$1,461,887	\$891,151

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2007

**NOTE E—BOND ISSUANCE COSTS**

Bond issuance cost activity for the year ended September 30, 2007 was as follows:

	Balance October 1, 2006	Additions	Deductions	Balance September 30, 2007
Bond issuance costs	\$ 58,953	\$ -	\$ -	\$ 58,953
Less accumulated amortization	<u>31,501</u>	<u>12,638</u>	<u>-</u>	<u>44,139</u>
Bond issuance costs, net	<u>\$ 27,452</u>	<u>\$ (12,638)</u>	<u>\$ -</u>	<u>\$ 14,814</u>

**NOTE F—DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, all deferred revenue was for member assessments received for the subsequent fiscal year.

**NOTE G—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the Organization for the year ended September 30, 2007.

	Balance October 1, 2006	Additions	Reductions	Balance September 30, 2007	Due within one year
Contracts payable	\$ 4,358,064	\$ -	\$ 1,193,846	\$ 3,164,218	\$ 1,472,000
Compensated absences	<u>134,914</u>	<u>116,790</u>	<u>82,888</u>	<u>168,816</u>	<u>84,000</u>
	<u>\$ 4,492,978</u>	<u>\$ 116,790</u>	<u>\$ 1,276,734</u>	<u>\$ 3,333,034</u>	<u>\$ 1,556,000</u>

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2007

**NOTE G—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

**Contracts payable**

\$2,839,041 - Contract payable to Muskegon County due in monthly installments of \$48,941 to \$50,632 through December 2008; plus interest at 3.34%	\$ 803,321
\$1,605,959 - Contract payable to Muskegon County due in monthly installments of \$27,771 to \$28,836 through June 2009; plus interest at 4.12%	623,717
\$2,200,000 - Contract payable to Muskegon County due in monthly installments of \$34,676 to \$40,720 through June 2011; plus interest at 5.32%	1,737,180
	3,164,218
Compensated absences	168,816
	\$ 3,333,034

Annual debt service requirements to maturity for debt outstanding as of September 30, 2007, follows:

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,472,000	\$ 129,000
2009	856,000	64,000
2010	469,000	34,000
2011	367,218	7,293
	\$ 3,164,218	\$ 234,293

The above loans and contracts are collateralized by various equipment held by the Organization. There are a number of limitations and restrictions contained in the various indentures. The Organization is in substantial compliance with all significant limitations and restrictions.

The contracts payable to Muskegon County (County) are part of an agreement in which the Organization has pledged revenue that will be generated from the special property tax millage to repay bank installment loan contracts that the County has obtained in the amount of \$6,645,000, so long as the debt proceeds are for the purchase of equipment and other capital items.

The contracts payable to Muskegon County are identical to the repayment terms of the installment loan contracts that the County has obtained with a bank.

In addition, the Organization has agreed to indemnify and hold the County, its agent, instrumentalities and officers harmless against any liabilities which might be imposed as a result of any deficiency of the funding generated by the property tax millage.

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2007

**NOTE H—LEASES**

The Organization conducts operations in an office facility under an operating lease that expires in June 30, 2012 with the option to renew the term of the lease for five successive periods of five years each. The lease requires current monthly rentals of \$2,060 and the payment of certain occupancy costs. Rent expense was \$20,058 for the year ended September 30, 2007. The future minimum lease payments for this lease is as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Amount</u>
2008	\$ 24,718
2009	31,861
2010	32,171
2011	34,396
2012	<u>34,058</u>
	<u>\$ 157,204</u>

**NOTE I—OTHER INFORMATION**

**Risk Management**

The Organization 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 Organization manages its liability and property risk as a member of the Michigan Municipal League Liability and Property Pool (MMLPP), a public entity risk pool providing liability and property coverage to its participating members. The Organization pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Organization manages its workers' compensation risk by participating in the Michigan Municipal League Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Organization pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Organization carries commercial insurance for workers' compensation, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2007

**NOTE I—OTHER INFORMATION—Continued**

**Contingent Liabilities**

The Organization is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion the Organization's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Organization.

**Post-Retirement Health Care**

The Organization has agreed to provide post-retirement health care to certain employees after they retire.

As of year end, there were three retired employees receiving benefits. The Organization finances the Plan on a pay-as-you-go basis. For the year ended September 30, 2007, the Organization's post-retirement health care cost under the Plan was approximately \$6,300.

**NOTE J—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN**

*Plan Description.* The Central Operations for Police Services is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the Central Operations for Police Services. A copy of the complete financial report and required supplemental information can be obtained by writing to:

Central Operations for Police Services  
770 Terrace Street  
Muskegon, MI 49440

*Funding Policy.* Organization employees are required to contribute 4.70 to 7.00 percent to the Plan. The Organization is required to contribute at an actuarially-determined rate depending upon position from 5.76 to 7.18 percent of covered wages.

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2007

**NOTE J—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued**

*Annual Pension Cost.* For the year ended September 30, 2007, the Organization's annual pension cost was approximately \$67,000 which the Organization contributed. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 8.4 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

**Three-Year Trend Information**

Year ended	Approximate Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/05	\$ 50,000	100 %	\$ -
09/30/06	59,000	100	-
09/30/07	67,000	100	-

**REQUIRED SUPPLEMENTARY INFORMATION**

*Schedule of Funding Progress*

*(Dollars amounts in thousands)*

Actuarial valuation date	Actuarial value of assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
12/31/04	\$ 3,336	\$ 3,444	\$ (108)	97 %	\$ 1,028	10 %
12/31/05	3,463	3,564	(101)	97	1,029	10
12/31/06	3,638	3,966	(328)	92	1,154	28

**Deferred Compensation Plan**

The Central Operations for Police Services offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Central Operations for Police Services' employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2007

**NOTE K—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Total fund balance** - governmental funds \$ 3,064,360

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.

Cost of capital assets	\$ 7,900,428	
Accumulated depreciation	<u>(2,440,213)</u>	5,460,215

Bond issuance costs are not capitalized and amortized in the governmental funds.

Bond issuance costs	58,953	
Accumulated amortization	<u>(44,139)</u>	14,814

Long-term liabilities in the governmental activities are not due and payable in the current period and are not reported in the governmental funds.

Bonds, loans and contracts payable	(3,164,218)	
Compensated absences	<u>(168,816)</u>	<u>(3,333,034)</u>

Net assets of governmental activities in the Statement of Net Assets		\$ <u><u>5,206,355</u></u>
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Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2007

**NOTE K—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS—Continued**

**Net change in fund balances** - total governmental funds \$ (2,676,521)

Amounts reported for government activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets and bond issuance costs as expenditures; in the Statement of Activities, these costs are depreciated and amortized over their estimated useful lives.

Depreciation and amortization expense	\$ (602,804)	
Capital outlay	<u>2,962,813</u>	2,360,009

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,193,846
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Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.	<u>(33,902)</u>
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Change in net assets of governmental activities	<u><u>\$ 843,432</u></u>
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**REQUIRED SUPPLEMENTARY INFORMATION**

Central Operations for Police Services  
 Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
 General Fund  
 For the year ended September 30, 2007

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,258,460	\$ 1,247,199	\$ 1,249,655	\$ 2,456
Member assessments	1,396,862	1,396,862	1,408,279	11,417
Emergency telephone surcharge	610,000	618,000	617,641	(359)
Wireless surcharge	275,000	274,000	274,562	562
Wireless surcharge training	15,000	18,989	18,989	-
Charges for services	18,315	18,315	18,315	-
Investment earnings	80,000	95,000	185,244	90,244
Other	600	200	24	(176)
Total revenues	3,654,237	3,668,565	3,772,709	104,144
<b>EXPENDITURES</b>				
Current				
Public safety				
Personnel				
Salaries and wages	1,169,500	1,120,000	1,117,269	2,731
Overtime	80,000	80,000	78,826	1,174
Payroll taxes	96,461	96,461	93,243	3,218
Payroll benefits	361,002	362,815	346,579	16,236
Longevity	10,600	10,600	10,600	-
Maintenance and operations				
Printing	250	250	231	19
Paper, supplies and postage	9,850	6,550	9,629	(3,079)
Contractual services	4,000	1,000	3,950	(2,950)
Publications and dues	1,800	1,800	1,793	7
Professional services	31,000	45,481	53,996	(8,515)
Communications	20,000	20,104	20,537	(433)
Telephone	82,000	72,000	65,515	6,485
Conferences and seminars	3,000	500	199	301
Travel	5,000	5,000	6,387	(1,387)
Advertising	800	600	512	88
Liability insurance	57,000	52,722	52,699	23
Utilities	7,500	6,700	7,128	(428)
Building maintenance	6,500	6,000	5,869	131
Equipment repairs and maintenance	203,764	203,764	180,780	22,984
Building rental	40,000	21,600	20,058	1,542
Equipment rental	6,000	3,600	3,547	53
Education and training	20,000	20,000	3,845	16,155
Software	1,000	1,000	1,040	(40)
Miscellaneous	2,000	2,000	2,148	(148)
Administrative charges	26,000	19,500	19,321	179
Relocation	130,000	150,000	235,494	(85,494)
Debt service				
Principal	1,305,234	1,305,234	1,193,846	111,388
Interest and fees	171,558	171,558	159,077	12,481
Capital outlay	1,759,636	2,675,579	2,755,112	(79,533)
Total expenditures	5,611,455	6,462,418	6,449,230	13,188
Net change in fund balance	\$ (1,957,218)	\$ (2,793,853)	(2,676,521)	\$ 117,332
Fund balance at October 1, 2006			5,740,881	
Fund balance at September 30, 2007			\$ 3,064,360	

**OTHER SUPPLEMENTAL INFORMATION**

Central Operations for Police Services  
 General Fund  
**Schedule of Revenues and Expenditures - Wireless Surcharges**  
 For the year ended September 30, 2007

**Accounting for Enhanced 911-Emergency Services for Wireless Telephone Systems**

P.A. 81 of 1999 was passed by the legislature in order to provide emergency 911 capability for wireless phones and to finance the new facilities and equipment that might be needed for such improvements through a user fee. It also re-established the Emergency Telephone Service Committee to provide technical assistance in formulating and implementing a 911 plan. The Emergency Telephone Service Committee requires that fees generated by the wireless surcharge be spent only on allowable costs as determined by the committee. Fees are also provided for training that must also be spent only on allowable costs.

The fees generated by the wireless surcharges and the costs of providing those services were as follows for the year ended September 30, 2007:

	<u>Wireless surcharge operating</u>	<u>Wireless surcharge training</u>
Revenues		
Wireless surcharge	\$ 274,562	\$ 18,989
Expenditures		
Salaries and wages	206,545	5,189
Overtime	13,147	-
Payroll taxes	15,551	-
Payroll benefits	57,758	-
Longevity	1,768	-
Travel	-	1,657
Education and training	-	1,400
Total expenditures	<u>294,769</u>	<u>8,246</u>
Excess of revenues over (under) expenditures	(20,207)	10,743
Reserved fund balance at October 1, 2006	<u>20,207</u>	<u>7,178</u>
Reserved fund balance at September 30, 2007	<u>\$ -</u>	<u>\$ 17,921</u>

In accordance with the act, the excess of revenues over expenditures is shown in the General Fund as reserved for wireless surcharge operating costs and reserved for wireless surcharge training costs.

Central Operations for Police Services  
 General Fund  
**Schedule of Revenues and Expenditures - Reserved Fund Balance**  
 For the year ended September 30, 2007

**Accounting for Millage Proceeds and Unspent Loan Proceeds**

On November 5, 2002, the voters of Muskegon County approved a millage for up to .30 mills to provide funding for the operation, including capital improvement, of the Organization. The Organization has borrowed money through contracts payable to Muskegon County to fund capital improvements with the intent of repaying the borrowed money with the funds generated by the millage.

The monies generated by the millage and contracts payable and the corresponding expenditures for capital improvements and debt service were as follows for the year ended September 30, 2007:

	Reserved for Debt Service	Reserved for Capital Projects
Revenues		
Property taxes	\$ 1,249,654	\$ -
Interest	53,857	78,518
Total revenues	1,303,511	78,518
Expenditures		
Professional services	44,135	-
Equipment repair and maintenance	58,250	-
Capital outlay	541,637	2,194,330
Debt service		
Principal	1,193,846	-
Interest and fees	159,077	-
Total expenditures	1,996,945	2,194,330
Excess of revenues over (under) expenditures	(693,434)	(2,115,812)
Reserved fund balance at October 1, 2006	960,740	2,939,467
Reserved fund balance at September 30, 2007	\$ 267,306	\$ 823,655

Because the contracts payable agreement commits the contract proceeds to specific capital improvements, all unspent contract proceeds are shown as reserved for capital projects. The agreement with the County of Muskegon also provides that the funds generated by the voted millage be used to repay the contracts payable and costs related to the capital improvement project. Since the majority of the money is obligated for debt service, unspent monies generated by the voted millage are shown as reserved for debt service.