

March 22, 2021

To the Board of Directors
Kalamazoo County Consolidated Dispatch Authority

We have audited the financial statements of the governmental activities and the major fund of the Kalamazoo County Consolidated Dispatch Authority (the Authority), a discretely presented component unit Governmental Fund of the County of Kalamazoo, Michigan (the County), as of and for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 16, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Kalamazoo County Consolidated Dispatch Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Kalamazoo County Consolidated Dispatch Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of capital asset depreciation is based on the estimated useful lives of the Authority's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Board of Directors
Kalamazoo County Consolidated Dispatch Authority
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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 22, 2021.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Kalamazoo County Consolidated Dispatch Authority's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of management, the Board of Directors of the Kalamazoo County Consolidated Dispatch Authority, and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

*Kalamazoo County Consolidated Dispatch Authority
Kalamazoo County, Michigan*

FINANCIAL STATEMENTS

Year ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kalamazoo County Consolidated Dispatch Authority
Kalamazoo, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Kalamazoo County Consolidated Dispatch Authority (the Authority), a discretely presented component unit Governmental Fund of the County of Kalamazoo, Michigan (the County), as of and for the year ended December 31, 2020, and the related notes to the financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 information of the Kalamazoo County Consolidated Dispatch Authority, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the basic financial statements referred to above include only the Authority and do not purport to, and do not, present fairly the financial position of the County, as of December 31, 2020, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Siegfried Crandall P.C.". The signature is written in a cursive, flowing style.

March 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is intended as a narrative overview of the Kalamazoo County Consolidated Dispatch Authority's (the Authority) financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's total net position increased \$1,143,034 as a result of this year's activities.
- Of the \$11,118,090 total net position reported, \$3,533,279 (32 percent) is available to be used at the Authority's discretion, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$674,385, which represents 7 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Authority's annual report is comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Authority:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Authority's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Authority, reporting the Authority's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how government services, like general government and public safety, are financed in the short-term, as well as what remains for future spending.

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

A comparative analysis of the government-wide financial statements for 2020 and 2019 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Authority's net position and how it has changed. Net position (the difference between the Authority's assets and liabilities) is one way to measure the Authority's financial health, or position.

- Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Authority, you need to consider additional nonfinancial factors, such as the condition of the Authority's capital assets.

The government-wide financial statements present governmental activities. These activities include functions most commonly associated with government (e.g., public safety). Contributions from local units and surcharge/9-1-1 fee revenues generally fund these services.

Fund financial statements

The fund financial statements provide more detailed information about the Authority's most significant fund - not the Authority as a whole. Funds are accounting devices that the Authority uses to keep track of specific sources of funding and spending for particular purposes. The Authority's lone fund, its General Fund, accounts for the expenses involved in providing services to the Authority's patrons, with the majority of funding coming from contributions from local units and surcharges/9-1-1 fees to cover the costs of operation. This fund uses the modified accrual basis of accounting.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$11,118,090. Of this total, \$3,244,130 represents net investment in capital assets, while \$4,340,681 is restricted for a capital project and, consequently, unrestricted net position was \$3,533,279.

Condensed financial information
Net position

	<u>2020</u>	<u>2019</u>
Current assets	\$ 7,962,871	\$ 5,280,017
Capital assets	9,445,105	4,941,055
Total assets	<u>17,407,976</u>	<u>10,221,072</u>
Current and other liabilities	88,911	246,016
Long-term liabilities	6,200,975	-
Total liabilities	<u>6,289,886</u>	<u>246,016</u>
Net assets:		
Net investment in capital assets	3,244,130	4,941,055
Restricted	4,340,681	-
Unrestricted	3,533,279	5,034,001
Total net position	<u>\$ 11,118,090</u>	<u>\$ 9,975,056</u>

Changes in net position

The Authority's total revenues of \$6,292,905 in 2020 were \$332,958 higher than total revenues in 2019 (\$5,959,947). In 2020, the Authority received \$304,647 in state and federal grants, which accounts for the majority of the current increase. Total 2020 expenses of \$5,149,871 were \$374,707 higher than the total 2019 expenses (\$4,775,164). Expenses increased primarily due to increases in personnel costs and contractual services for fiscal year ending December 31, 2020.

Condensed financial information
Changes in net position

	<u>2020</u>	<u>2019</u>
Program Revenues:		
Charges for services	\$ 1,652,676	\$ 1,611,913
Operating grants and contributions	4,604,648	4,300,000
General revenues - interest	<u>35,581</u>	<u>48,034</u>
 Total revenues	 <u>6,292,905</u>	 <u>5,959,947</u>
 Public safety expenses	 5,149,871	 4,775,164
 Changes in net position	 <u>\$ 1,143,034</u>	 <u>\$ 1,184,783</u>
 Net position at end of year	 <u>\$ 11,118,090</u>	 <u>\$ 9,975,056</u>

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUND

The Authority's only governmental fund is its General Fund. The General Fund, which is the Authority's operating fund, uses the modified accrual method of accounting, which provides a short-term perspective that measures the flow of financial resources. The fund balance increased by \$2,846,559, as revenues of \$6,292,905, and debt proceeds of \$6,200,975, were more than total expenditures of \$9,647,321, which includes \$4,861,464 in capital outlay expenditures in the current year.

General Fund budgetary highlights

The Authority amended the budget by increasing revenues by \$308,947, primarily due to a projected increase in state and federal grants. The expenditure budget was increased by \$2,286,228, primarily due to a projected increase in capital outlay expenditures.

Revenues were \$36,808 higher than budgeted, with the primary difference occurring in charges for services. Other financing sources were \$6,200,975 higher, as the budget was not amended for recognition of debt proceeds. Expenditures were \$1,499,249 higher than the amounts appropriated, which was primarily due to capital outlay costs that were not anticipated during the year.

The total variances resulted in a \$4,738,534 positive budget variance, with an actual increase in fund balance of \$2,846,559 compared to a budget that anticipated a decrease of \$1,891,975 in fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Authority's investment in capital assets as of December 31, 2020, totals \$9,445,105 (net of accumulated depreciation). Capital assets consist of buildings and improvements, equipment, and land. The net increase in capital assets totaled \$4,504,050, including additions of \$4,788,785, which was offset by \$284,735 in depreciation expense. Major capital asset additions during the year include the following:

- Equipment for \$861,500
- Equipment improvements for \$3,927,285

More detailed information about the Authority's capital assets is presented in Note 4 of the notes to the basic financial statements.

Debt

The Authority reported long-term debt at the end of the year as all debt in the amount of \$6,200,975 was issued during the current year.

More detailed information about the Authority's long-term obligations is presented in Note 6 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's Board of Directors and management consider many factors when setting the annual budget. One of the most important factors affecting the budget is ensuring sufficient funds are available to meet ongoing costs of operation.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Kalamazoo County Consolidated Dispatch Authority
7040 Stadium Drive
Kalamazoo, MI 49009

BASIC FINANCIAL STATEMENTS

Kalamazoo County Consolidated Dispatch Authority

STATEMENT OF NET POSITION

December 31, 2020

ASSETS

Current assets:

Cash	\$ 393,470
Investments	2,564,151
Accounts receivable	444,471
Deposit	4,340,681
Prepaid items	<u>220,098</u>

Total current assets 7,962,871

Noncurrent assets:

Capital assets not being depreciated	4,221,558
Capital assets, net of accumulated depreciation	<u>5,223,547</u>

Total noncurrent assets 9,445,105

Total assets 17,407,976

LIABILITIES

Current liabilities:

Accounts payable	27,340
Accrued payroll	54,971
Accrued interest	6,600
Current portion - note payable	<u>1,183,001</u>

Total current liabilities 1,271,912

Noncurrent liabilities - note payable 5,017,974

Total liabilities 6,289,886

NET POSITION

Net investment in capital assets	3,244,130
Restricted - for capital project	4,340,681
Unrestricted	<u>3,533,279</u>

Total net position \$ 11,118,090

See notes to financial statements

Kalamazoo County Consolidated Dispatch Authority

STATEMENT OF ACTIVITIES

Year ended December 31, 2020

PROGRAM EXPENSES

Public safety:

Dispatch services	\$ 4,859,076
Depreciation	284,735
Interest	<u>6,600</u>

Total program expenses 5,150,411

PROGRAM REVENUES

Charges for services	1,652,676
Operating grants and contributions	<u>4,604,648</u>

Total program revenues 6,257,324

Net program expenses 1,106,913

GENERAL REVENUES

Investment return	<u>36,121</u>
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CHANGE IN NET POSITION 1,143,034

NET POSITION - BEGINNING 9,975,056

NET POSITION - ENDING \$ 11,118,090

See notes to financial statements

Kalamazoo County Consolidated Dispatch Authority

BALANCE SHEET - governmental funds

December 31, 2020

	<u>General</u>
ASSETS	
Cash	\$ 393,470
Investments	2,564,151
Accounts receivable	444,471
Deposit	4,340,681
Prepaid items	<u>220,098</u>
Total assets	<u>\$ 7,962,871</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 27,340
Accrued payroll	<u>54,971</u>
Total liabilities	<u>82,311</u>
Fund balances:	
Nonspendable	220,098
Restricted - for capital project	4,340,681
Committed - for interlocal payments	2,645,396
Unassigned	<u>674,385</u>
Total fund balances	<u>7,880,560</u>
Total liabilities and fund balances	<u>\$ 7,962,871</u>
Reconciliation of the balance sheet to the statement of net position:	
Total fund balance - total governmental funds	\$ 7,880,560
Amounts reported for <i>governmental activities</i> in the statement of net position (page 9) are different because:	
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the governmental funds.	9,445,105
Long-term liabilities, consisting of notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(6,200,975)
Interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.	<u>(6,600)</u>
Net position of <i>governmental activities</i>	<u>\$ 11,118,090</u>

See notes to financial statements

Kalamazoo County Consolidated Dispatch Authority

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds**

Year ended December 31, 2020

	<u>General</u>
REVENUES	
Federal grants	\$ 304,647
Charges for services	1,645,418
Contributions from local units	4,300,001
Interest and rentals	43,080
Other	<u>299</u>
Total revenues	<u>6,293,445</u>
EXPENDITURES	
Current - public safety	4,786,397
Capital outlay	<u>4,861,464</u>
Total expenditures	<u>9,647,861</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,354,416)</u>
OTHER FINANCING SOURCES	
Debt proceeds	<u>6,200,975</u>
NET CHANGES IN FUND BALANCES	2,846,559
FUND BALANCES - BEGINNING	<u>5,034,001</u>
FUND BALANCES - ENDING	<u>\$ 7,880,560</u>
Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:	
Net change in fund balance - total governmental funds	\$ 2,846,559
Amounts reported for <i>governmental activities</i> in the statement of activities (page 10) are different because:	
Capital assets:	
Assets acquired	4,788,785
Provision for depreciation	(284,735)
Long-term debt	
Debt issuance	(6,200,975)
Change in other assets/liabilities - increase in accrued interest payable	<u>(6,600)</u>
Change in net position of <i>governmental activities</i>	<u>\$ 1,143,034</u>

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Kalamazoo County Consolidated Dispatch Authority (the Authority) conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

The Authority is a discretely presented component unit Governmental Fund of the County of Kalamazoo, Michigan (the County). The Authority works to provide dispatch and integrated communication of emergency police, fire, and medical services within Kalamazoo County.

The basic financial statements of the Authority do not include other operations of the County.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Authority. Governmental activities are normally supported by contributions from local units and surcharge revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Interest and other items not properly included among program revenues are reported instead as general revenues.

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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds 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 if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Authority generally considers revenues to be available if they are expected to be 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Grants, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Authority.

The Authority reports a single major governmental fund, its General Fund. This fund accounts for all financial resources of the Authority.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, liabilities, and equity:

Cash and investments - Cash is 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. Investments are reported at fair value.

Receivables - All receivables are considered to be fully collectible and are due within one year.

Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items.

Capital assets - Capital assets, which include property, equipment, and vehicles, are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings and improvements	40 years
Equipment	5 - 15 years
Software	6 years

Net position - Net position represents the difference between assets and liabilities. The Authority currently reports two categories of net position, net investment in capital assets and unrestricted net position.

Net position flow assumption - Sometimes, the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund equity - Governmental funds report nonspendable fund balances for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact. Restricted fund balances are reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. Committed fund balance is imposed by formal action of the Authority's Board. The Authority Board retains the authority to assign fund balances as to purpose. Unassigned fund balances are amounts that do not fall into any other category above. When the Authority incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Authority's policy to use the restricted fund balance first, followed by committed fund balance, then assigned fund balance and, finally, unassigned fund balance.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The budget document presents information by function and line-item. The legal level of budgetary control adopted by the governing body is the function level. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth the reportable budget variance:

<u>Function</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Capital outlay	\$ 3,046,492	\$ 4,861,464	\$ 1,814,972

NOTE 3 - CASH AND INVESTMENTS

Deposits - State statutes and the Authority’s investment policy authorize the Authority to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations. The Authority’s deposits are in accordance with statutory authority. As of December 31, 2020, the Authority had deposits with a carrying amount of \$393,470.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Authority will not be able to recover its deposits. The Authority’s investment policy does not specifically address custodial credit risk for deposits. At December 31, 2020, \$776,529 of the Authority’s bank balances of \$1,026,529 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments - State statutes and the Authority’s investment policy authorize the Authority to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two (2) highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers’ acceptances; e) mutual funds composed of otherwise legal investments; and f) investment pools organized under the local government investment pool act.

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority’s investment policy does not contain requirements that would limit exposure to credit risk for investments. The credit quality ratings of the Authority’s investments are as follows:

<u>Investment type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan CLASS Investment Pool	\$ 2,564,151	AAAm	Standard and Poor's

Investments in entities that calculate net asset value per share - The Authority holds shares in an investment pool where the fair value of the investment is measured on a recurring basis using net asset value per share of the investment pool as a practical expedient. At December 31, 2020, the fair value, unfunded commitments, and redemption rules of these investments are as follows:

	<u>Michigan CLASS</u>
Fair value at December 31, 2020	\$2,564,151
Unfunded commitments	none
Redemption frequency	n/a
Notice period	none

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 294,273	\$ -	\$ -	\$ 294,273
Construction in progress	<u>-</u>	<u>3,927,285</u>	<u>-</u>	<u>3,927,285</u>
Total capital assets not being depreciated, net	<u>294,273</u>	<u>3,927,285</u>	<u>-</u>	<u>4,221,558</u>
Capital assets being depreciated:				
Buildings and improvements	2,581,994	-	-	2,581,994
Equipment and furnishings	<u>2,490,551</u>	<u>861,500</u>	<u>-</u>	<u>3,352,051</u>
Subtotal	<u>5,072,545</u>	<u>861,500</u>	<u>-</u>	<u>5,934,045</u>
Less accumulated depreciation for:				
Buildings and improvements	(169,377)	(95,967)	-	(265,344)
Equipment and furnishings	<u>(256,386)</u>	<u>(188,768)</u>	<u>-</u>	<u>(445,154)</u>
Subtotal	<u>(425,763)</u>	<u>(284,735)</u>	<u>-</u>	<u>(710,498)</u>
Total capital assets being depreciated, net	<u>4,646,782</u>	<u>576,765</u>	<u>-</u>	<u>5,223,547</u>
Governmental activities capital assets, net	<u>\$ 4,941,055</u>	<u>\$ 4,504,050</u>	<u>\$ -</u>	<u>\$ 9,445,105</u>

All depreciation expense was charged to the public safety function.

NOTE 5 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits provided to employees. The Authority has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. During the past period, settlements did not exceed insurance coverage.

NOTE 6 - LONG-TERM OBLIGATIONS

At December 31, 2020, long-term obligations consist of an installment purchase agreement, \$6,200,975, payable in annual installments of \$1,333,546, including interest at 2.490%; final payment is due December 2025. The debt is secured by the full faith and credit of the Authority.

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligation activity for the year ended December 31, 2020, was as follows:

<u>Description</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Installment purchase agreement	\$ -	\$ 6,200,975	\$ -	\$ 6,200,975	\$ 1,183,001

Debt service requirements at December 31, 2020, are as follows:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2021	1,183,001	\$ 150,545
2022	1,208,598	128,948
2023	1,238,692	94,854
2024	1,269,536	64,010
2025	<u>1,301,148</u>	<u>32,399</u>
Totals	<u>\$ 6,200,975</u>	<u>\$ 470,756</u>

All outstanding debt of the Authority is direct placement or direct borrowing debt.

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN

The Authority provides pension benefits for the executive director through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The executive director is eligible to participate after the date of hire. The Authority contributes an amount equal to 10% and the executive director has the option to contribute. The Authority's contributions for the executive director (and interest allocated to the employee's account) are fully vested upon entering the plan. The Authority made the required contributions of \$8,366, for the year ended December 31, 2020. At December 31, 2020, the Authority reported an accrued liability of \$108 as part of the contributions to the plan. The Authority is not a trustee of the plan, nor is the Authority responsible for investment management of plan assets.

The Authority also provides pension benefits for all employees except the executive director through a defined contribution plan. The employees are eligible to participate after the date of hire. The Authority contributes an amount equal to 5% and the employees have the option to contribute. The Authority will match employee contributions up to a maximum of an additional 3%. The Authority's contributions for the employees (and interest allocated to the employee's account) are fully vested upon the completion of two years of service. The Authority made the required contributions of \$218,683, for the year ended December 31, 2020. At December 31, 2020, the Authority reported an accrued liability of \$3,504 as part of the contributions to the plan. The Authority is not a trustee of the plan, nor is the Authority responsible for investment management of plan assets.

NOTE 8 - DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The assets of the plan were held in trust (custodial accounts), as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial accounts for the beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Authority's financial statements.

NOTE 9 - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for periods beginning after June 15, 2021. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities

REQUIRED SUPPLEMENTARY INFORMATION

Kalamazoo County Consolidated Dispatch Authority

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2020

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Federal grants	\$ -	\$ 304,647	\$ 304,647	\$ -
Charges for services	1,606,000	1,606,000	1,645,418	39,418
Contributions from local units	4,300,000	4,300,000	4,300,001	1
Interest and rentals	41,000	45,200	43,080	(2,120)
Other	<u>150</u>	<u>250</u>	<u>299</u>	<u>49</u>
Total revenues	<u>5,947,150</u>	<u>6,256,097</u>	<u>6,293,445</u>	<u>37,348</u>
EXPENDITURES				
Public safety:				
Personnel costs	3,256,068	3,144,182	3,018,005	126,177
Employee benefits	1,099,267	984,962	941,921	43,041
Contractual services	517,509	550,109	493,662	56,447
Professional services	40,300	59,150	49,875	9,275
Insurance	35,000	33,000	31,192	1,808
Repairs and maintenance	25,000	25,000	10,585	14,415
Travel	59,000	36,000	15,210	20,790
Supplies	32,000	32,000	23,912	8,088
Utilities	163,200	153,677	139,357	14,320
Miscellaneous	<u>90,500</u>	<u>83,500</u>	<u>62,678</u>	<u>20,822</u>
Total public safety	<u>5,317,844</u>	<u>5,101,580</u>	<u>4,786,397</u>	<u>315,183</u>
Capital outlay	<u>544,000</u>	<u>3,046,492</u>	<u>4,861,464</u>	<u>(1,814,972)</u>
Total expenditures	<u>5,861,844</u>	<u>8,148,072</u>	<u>9,647,861</u>	<u>(1,499,789)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>85,306</u>	<u>(1,891,975)</u>	<u>(3,354,416)</u>	<u>(1,462,441)</u>
OTHER FINANCING SOURCES				
Debt proceeds	<u>-</u>	<u>-</u>	<u>6,200,975</u>	<u>6,200,975</u>
NET CHANGES IN FUND BALANCES	85,306	(1,891,975)	2,846,559	4,738,534
FUND BALANCES - BEGINNING	<u>5,034,001</u>	<u>5,034,001</u>	<u>5,034,001</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 5,119,307</u>	<u>\$ 3,142,026</u>	<u>\$ 7,880,560</u>	<u>\$ 4,738,534</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
Kalamazoo County Consolidated Dispatch Authority
Kalamazoo, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Kalamazoo County Consolidated Dispatch Authority (the Authority), a discretely presented component unit Governmental Fund of the County of Kalamazoo, Michigan, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we have identified deficiencies in internal control that we consider to be material weaknesses.

Finding 2020-001 - Financial statement preparation

Condition and criteria: All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e., external financial reporting).

As is the case with many small and medium-sized governmental units, the Authority relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot by definition be considered part of the Authority's internal controls.

Cause: This condition was caused by the Authority's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Authority to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Authority lacks complete internal controls over the preparation of its financial statements in accordance with GAAP and relies, at least in part, on assistance from its external auditor for assistance with this task.

Auditor's Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to prepare a draft of the Authority's annual financial statements versus contracting with its auditor for these services.

Management Response: Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements in accordance with GAAP and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Findings

The Authority's response to the internal control finding identified above was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Siegfried Crandall P.C.". The signature is written in a cursive style with a large initial 'S'.

March 22, 2021