



Ottawa County Central Dispatch Authority

12101 Stanton Street

West Olive, Michigan 49460

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014



Vredeveld Haefner LLC

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY

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INDEPENDENT AUDITORS' REPORT

March 12, 2015

Members of the Board
Ottawa County Central Dispatch Authority
Ottawa County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Ottawa County Central Dispatch Authority (the Authority), a Component Unit of Ottawa County, Michigan, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of 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 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 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 Authority'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 opinions.

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 the Ottawa County Central Dispatch Authority, as of December 31, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the information on pages 23 and 24 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 Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2015 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, and 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 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 Authority's internal control over financial reporting and compliance.

Orlando Hoopner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS



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Ottawa County Central Dispatch Authority
12101 Stanton Street
West Olive, Michigan 49460

Management's Discussion and Analysis

As management of the Ottawa County Central Dispatch Authority (the "OCCDA"), we offer readers of the Ottawa County Central Dispatch Authority financial statements this narrative overview and analysis of the financial activities of this Component Unit of Ottawa County, Michigan, for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- OCCDA remains in good financial shape. Revenue during the fiscal year amounted to \$4,947,920 over operating expenses of \$4,729,552. General fund capital expenditures totaled \$602,248 for the year.
- The cash position at December 31, 2014 shows \$7,809,807 available. Note that there needs to be a significant cash reserve in the early part of the year because OCCDA receives much of its revenue from a millage which is collected by Ottawa County and paid in full usually in April of each year. The substantial reserve in January sees significant reductions due to operations in the first four months of the year.
- Funding levels are generally consistent year over year. The millage rate has not changed from the maximum allowed under the Headlee amendment.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the OCCDA financial statements. The OCCDA's basic financial statements comprise three components:

1. Government-wide statements
2. Fund financial statements, and
3. Notes to the financial statements.

To simplify financial reporting and improve readability, the government-wide financial statements and the fund statements have been combined to report the statement of net position and general fund balance sheet on a single page and the statement of activities and general fund revenues, expenditures and changes in fund balance on a single page.

Note that Ottawa County's government-wide financial statements are not herein presented because the OCCDA is a component unit of the County. Ottawa County presents their financial statements elsewhere.

Government-wide Statements

The statement of net position presents information on all of the OCCDA's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the OCCDA is improving or deteriorating.

The statement of activities presents information showing how the OCCDA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenue and

expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

Both of the component unit financial statements distinguish the function of the OCCDA, which is principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the OCCDA include providing a centralized emergency dispatch system within Ottawa County and selected parts of Allegan and Muskegon Counties.

The government-wide financial statements include only the OCCDA itself (known as a *special purpose government*).

The OCCDA has no legally separate component units for which the OCCDA is financially accountable. In this report, financial information for the OCCDA is reported separately from the financial information presented for Ottawa County, which reports the OCCDA as a component unit.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The OCCDA, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the OCCDA is accounted for in a governmental fund (General Fund).

Governmental funds. *Governmental funds* (General Fund) are used to account for essentially the same function reported in the government-wide financial statements. However, unlike the government-wide financial statements, general fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the general fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the general fund with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the general fund balance sheet and the general fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the general fund and *governmental activities*.

The OCCDA maintains one governmental fund (the General Fund). Information is presented in the general fund balance sheet and in the general fund statement of revenues, expenditures, and changes in fund balances for the OCCDA. The general fund is a major fund for financial reporting purposes.

The OCCDA does not maintain proprietary or fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the OCCDA's financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Included in this management discussion and analysis is a budgetary comparison schedule for its fund, which adopts an annual appropriated budget, and a schedule of funding progress for the OCCDA pension plan.

The OCCDA's Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the OCCDA, assets exceeded liabilities by \$13,480,552 at the close of the most recent fiscal year, December 31, 2014.

The largest portion of net position for the OCCDA is unrestricted and available for OCCDA activity. The remaining significant portion of the OCCDA net position reflects its investment in capital assets, primarily its facility in West Olive, MI, occupied in April 2009, telecommunications, computers, software and office

equipment, less any related debt that may be outstanding. There is no long-term debt outstanding at the fiscal year-end. The OCCDA uses its capital assets to provide emergency dispatch services to Ottawa, and portions of Muskegon and Allegan Counties' local government emergency services divisions and ultimately to citizens; consequently, these assets are *not* available for future alternative spending. Although the OCCDA investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following tables provide a summary of the Authority's financial position and activity for the year:

Net Position

Governmental Activities	December 31, 2014	December 31, 2013
Current and other assets	\$ 8,182,181	\$ 8,920,091
Capital assets, net	<u>5,511,822</u>	<u>5,901,700</u>
Total assets	13,694,003	14,821,791
Long-term liabilities outstanding	153,709	100,911
Other liabilities	<u>59,742</u>	<u>1,458,696</u>
Total liabilities	213,451	1,559,607
Net position:		
Invested in capital assets	5,511,822	5,901,700
Restricted	45,162	30,213
Unrestricted	<u>7,923,568</u>	<u>7,330,271</u>
Total net position	<u>\$13,480,552</u>	<u>\$13,262,184</u>

Changes in Net Position

Governmental Activities	December 31, 2014	December 31, 2013
Revenue:		
Program revenue:		
Charges for services	\$ 13,249	\$ 41,399
Operating grants and contributions	4,882,701	4,790,662
General revenue:		
Investment income (loss)	<u>51,970</u>	<u>(10,937)</u>
Total revenue	4,947,920	4,821,124
Expenses:		
Public safety	<u>4,729,552</u>	<u>4,637,143</u>
Total expenses	4,729,552	4,637,143
Change in net position	218,368	183,981
Net position – beginning of year	<u>13,262,184</u>	<u>13,078,203</u>
Net position – end of year	<u>\$13,480,552</u>	<u>\$13,262,184</u>

Governmental activities

The overall financial position of the OCCDA remains strong with no debt outstanding.

Because the OCCDA receives the bulk of its income from transfers of authorized property taxes from Ottawa County in April or May of each year, the OCCDA holds a strong cash position at year-end to carry operational costs through the date of the spring revenue receipt. The Ottawa County Building Authority was the financing mechanism that was used to finance the Grand Haven facility that is now used as a back up facility.

Unused operating funds are placed into facilities, equipment purchase and replacement reserves by OCCDA Board action to support future building and equipment costs.

Expenses and Revenues - Governmental Fund

The primary focus of the OCCDA is providing dispatch services for all of Ottawa County and local unit emergency services departments including certain locations within Allegan and Muskegon Counties. Actual costs are shown below:

	<u>2014</u>	<u>2013</u>
Personnel services	\$2,550,796	\$2,636,938
Supplies	33,631	32,472
Other	1,100,201	1,196,732
Capital outlay	602,248	1,487,659
Total cost of operations	<u>\$4,286,876</u>	<u>\$5,353,801</u>

Personnel services decreased as a result of decreased employer contributions to the employee health care savings accounts. Supplies remained stable at prior year levels. Other costs decreased \$96,531 primarily due to consolidated telephone lines and renegotiated contract rates. Capital outlay expenditures were high in the prior year due to an end of year purchase of \$1,200,000 for New World Software for operations.

Revenues by Source - Governmental Fund

Much of the 2014 increased funding was the result of increased property tax revenue (Ottawa County's contribution) which increased to \$4,162,742 in fiscal year 2014 from \$4,076,088 in 2013. Investment income/loss relates to the valuation of investments (mark-to-market) at December 31, 2014.

	<u>2014</u>	<u>2013</u>
Intergovernmental revenue	\$4,884,592	\$4,820,651
Investment income (loss)	51,970	(10,937)
Charges for services	13,249	41,399
Totals	<u>\$4,949,811</u>	<u>\$4,851,113</u>

These revenue resources are held for the operation, maintenance and capital needs of the OCCDA and may not be utilized for other purposes as defined by the resource documentation.

General Fund Budgetary Highlights

- State wireless surcharges are rising as more cell phones are in operation. This rise is about \$10,000 over the original budget.

- Property values county-wide have also improved showing a \$425,000 increase over budget.
- A \$7,000 rebate of prior years' premiums from the Michigan Municipal League Liability and Property Pool was recorded during the year.
- Wages of \$1,762,290 came in at \$146,000 less than budgeted due to timing of hiring new employees.

Capital Asset and Debt Administration

Governmental Activities	Capital Assets (net of depreciation)	
	December 31, 2014	December 31, 2013
Buildings	\$ 3,385,796	\$ 3,385,796
Furniture, fixtures and equipment	7,834,814	8,988,221
Accumulated depreciation	(5,708,788)	(6,472,317)
Total	\$ 5,511,822	\$ 5,901,700

Additional information on the OCCDA capital assets can be found in Note 4 of this report.

Long-term Debt

There is no outstanding debt for OCCDA. Long-term liabilities consist exclusively of compensated absences payable. OCCDA has not been separately rated by any rating agency.

Economic Factors and Next Year's Budgets and Rates

- New technology required by State and Federal legislation continues to drive future funding considerations. OCCDA remains vigilant to participate in these decisions whenever possible in the state and federal arenas.
- As the biggest single operating cost remains in personnel, OCCDA monitors the industry for cost reductions and participates in employee benefits and health care cost containment as appropriate.
- As the economy improves from the Great Recession, OCCDA's tax revenue appears to have sufficient resources into the future for operations and communication infrastructure maintenance and replacement.

Requests for Information

This financial report is designed to provide a general overview of OCCDA finances for all those with an interest in the component unit's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Timothy Smith, Director, Ottawa County Central Dispatch Authority, 12101 Stanton Street, West Olive, MI 49460.

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BASIC FINANCIAL STATEMENTS

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

STATEMENT OF NET POSITION AND GENERAL FUND BALANCE SHEET

DECEMBER 31, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and investments	\$ 7,809,807	\$ -	\$ 7,809,807
Due from other governments	173,689	-	173,689
Prepaid items	198,685	-	198,685
Capital assets, net of accumulated depreciation	<u>-</u>	<u>5,511,822</u>	<u>5,511,822</u>
Total assets	<u>\$ 8,182,181</u>	<u>5,511,822</u>	<u>13,694,003</u>
Liabilities			
Accounts payable	\$ 59,742	-	59,742
Compensated absences	<u>-</u>	<u>153,709</u>	<u>153,709</u>
Total liabilities	<u>59,742</u>	<u>153,709</u>	<u>213,451</u>
Fund balance			
Nonspendable			
Prepaid items	198,685	(198,685)	-
Restricted			
MCOLES Training	45,162	(45,162)	-
Assigned			
Equipment replacement	7,113,394	(7,113,394)	-
Unassigned	<u>765,198</u>	<u>(765,198)</u>	<u>-</u>
Total fund balance	<u>8,122,439</u>	<u>(8,122,439)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 8,182,181</u>		
Net position			
Invested in capital assets		5,511,822	5,511,822
Restricted for training		45,162	45,162
Unrestricted		<u>7,923,568</u>	<u>7,923,568</u>
Total net position		<u>\$ 13,480,552</u>	<u>\$ 13,480,552</u>

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

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET POSITION OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION**

DECEMBER 31, 2014

Fund balances - total governmental funds	\$ 8,122,439
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	5,511,822
Certain liabilities, such as compensated absences are not payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	<u>(153,709)</u>
Net position of governmental activities	<u>\$ 13,480,552</u>

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

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

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

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Public safety	\$ 3,684,628	\$ 442,676	\$ 4,127,304
Capital outlay	<u>602,248</u>	<u>-</u>	<u>602,248</u>
Total expenditures/expenses	<u>4,286,876</u>	<u>442,676</u>	<u>4,729,552</u>
Program revenues			
Charges for services	13,249	-	13,249
Operating grants and contributions	<u>4,884,592</u>	<u>(1,891)</u>	<u>4,882,701</u>
Total program revenue	<u>4,897,841</u>	<u>(1,891)</u>	<u>4,895,950</u>
Net program expense			<u>166,398</u>
General revenue			
Investment income (loss)	<u>51,970</u>	<u>-</u>	<u>51,970</u>
Change in fund balance/net position	662,935	(444,567)	218,368
Fund balances/net position, beginning of year	<u>7,459,504</u>	<u>5,802,680</u>	<u>13,262,184</u>
Fund balances/net position, end of year	<u>\$ 8,122,439</u>	<u>\$ 5,358,113</u>	<u>\$ 13,480,552</u>

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

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2014

Net changes in fund balances - governmental funds	\$ 662,935
 Amounts reported for <i>governmental activities</i> in the statement of activities are different because	
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	527,865
Deduct - depreciation expense	(914,212)
Deduct - net book value of capital asset disposals	(3,531)
 Some receivables are long-term in nature and are collectable over several years. However the current receipts are reflected as revenues on the fund statements.	
Deduct - decrease in long-term receivable balance	(1,891)
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Deduct - increase in compensated absences	<u>(52,798)</u>
Change in net position of governmental activities	<u>\$ 218,368</u>

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

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ottawa County Central Dispatch Authority (the Authority) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

The Ottawa County Central Dispatch Authority is a discretely presented component unit of Ottawa County, Michigan that is governed by an autonomous Board. The Authority was established by a cooperative intergovernmental agreement to administer the public safety dispatching system in Ottawa County (the "County").

The initial Dispatch system was constructed by the Ottawa County Building Authority (the "Building Authority"). On March 22, 1990, the Building Authority issued \$4,420,000 of Building Authority bonds to finance the construction of the system. The County leased the initial system from the Building Authority. The initial responsibility of the Authority was limited to operation of the system. The Authority now owns and operates the dispatch system.

During 2008, Ottawa County residents voted an additional twenty-year county millage at a maximum rate of .44 mills to fund costs of operating a 911 system. The millage is levied by the County and subsequently transferred to the Authority. Start-up costs were funded by contributions from local units of government.

The criteria established by generally accepted accounting principles for determining the reporting entity includes significant operational or financial relationships with another entity. Based on the above criteria, these financial statements present all funds of the Authority. The Authority has no component units.

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 of the governmental activities of the primary government (the Authority). *Governmental activities* are reported in total. The Authority has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

A combined financial statement is provided for the general fund and the statement of net position and for the general fund and the statement of activities. The general fund is considered to be a major fund for financial reporting purposes. The Authority utilizes no proprietary or fiduciary funds.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

The Authority reports the following major governmental fund:

The *General Fund* is the government's only operating fund. It accounts for all financial resources of the general government.

Measurement Focus and Basis of Accounting

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 revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The general fund is accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Exceptions to this general rule include intergovernmental grants, charges for services, and interest which use 180 days. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include compensated absences and principal and interest on long-term debt which are recognized when due.

The general fund is accounted for on a spending or "flow of current financial resources" measurement focus. This means that only current assets and current liabilities are generally included on its balance sheets. Its reported fund balance is considered a measure of "available, spendable resources".

The general fund operating statement presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net position. Accordingly, it is said to present a summary of sources and uses of "available, spendable resources" during a period.

Budgets and Budgetary Accounting

The Authority's procedures for establishing budgetary data are as follows:

- The Executive Director submits a proposed budget for the upcoming year to the Authority's Board.
- The budget is reviewed by the Authority's Board and a public hearing is held. Prior to the beginning of the year, the budget is adopted by the Authority's Board.
- The budget for the General Fund is adopted following the modified accrual basis of accounting (a basis consistent with generally accepted accounting principles).
- Budget amounts shown in the financial statements consist of those amounts contained in the original and final amended budget.
- The Authority presents a budget for the general fund at the line item level of detail, and adopts it at the total fund level by means of an appropriations act.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Cash and Investments

Cash and investments consist of the balance of cash, checking and savings accounts, investment accounts. Michigan law authorizes the Authority to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Due from Other Governments

Due from other governments consist primarily of the balance of telephone surcharge revenue from the State of Michigan and Allegan County and millage transfers from Ottawa County. These balances are reported net of estimated uncollectible balances (estimated uncollectible balances were zero at year-end).

Capital Assets

Capital assets, which include buildings, furniture, fixtures and equipment, and construction in progress are reported in the governmental activities column in the government-wide financial statements.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements and are subsequently capitalized on the government-wide statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on 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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
(a Component Unit of Ottawa County)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Depreciation on capital assets, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Furniture, fixtures and equipment	3-20

Due to Other Governments

Due to other governments consists primarily of the balance of operating costs reimbursable to other governments.

Compensated Absences

Under the Authority's personnel policy and employment agreements, individual employees have a vested right to receive payments for unused vacation leave under formulas and conditions specified in the policy and agreements. Accumulated leave of the general fund is recorded on the statement of net position and not on the general fund balance sheet because it is not expected to be liquidated with expendable available financial resources. Changes in compensated absences during the year were as follows:

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2014</u>
Compensated absences	\$100,911	\$153,709	\$ 100,911	\$153,709

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has no items that qualify for reporting in this category.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Fund Equity

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the entity's governing board.
4. Assigned - the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund Balance can only be committed by resolution of the Board.

When multiple net position/fund balance classifications are available for use it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Authority's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the Authority for these budgeted funds were adopted at the fund level.

During the year ended December 31, 2014, expenditures were within the amounts appropriated.

3. CASH AND INVESTMENTS

The Authority reported cash and investments of \$7,809,807 at year-end. The balance consisted of the following:

Deposits	\$3,851,466
Investments	3,958,081
Petty cash	<u>260</u>
Total	<u>\$7,809,807</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Deposits

The deposits are in financial institutions located in Michigan. State policy limits the Authority's investing options to financial institutions located in Michigan. All accounts are in the name of the Authority. They are recorded in Authority records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require, and the Authority does not have, a policy for deposit custodial credit risk. As of year-end, \$3,114,630 of the Authority's bank balance of \$3,863,325 was uninsured and uncollateralized.

Investments

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

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Money Markets	n/a	\$ 60,957	AAAm	S&P
FNMA 2.5%	3/25/39	437,958	Unrated	
FNMA 2.0%	6/25/39	400,433	Unrated	
FHLMC 3.0%	7/15/31	446,163	Unrated	
FHLMC 2.75%	1/15/36	962,570	Unrated	
Michigan Fin Authority .20%	12/01/32	1,150,000	A-2	S&P
Kent Hospital Fin Authority .19%	10/01/41	<u>500,000</u>	A-2	S&P
Total		<u>\$3,958,081</u>		

Investment risk

Interest Rate Risk. State law and Authority policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year-end.

Credit Risk. State law limits investments to specific securities as identified in Note 1 of the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year-end.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Authority does not have a policy for investment custodial credit risk. The investments listed above are held by the government's brokerage firm which is also the counterparty for this security.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2014</u>
Governmental Activities				
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets, not being depreciated	-	-	-	-
Capital assets, being depreciated				
Buildings	3,385,796	-	-	3,385,796
Furniture, fixtures and equipment	8,988,221	527,865	1,681,272	7,834,814
Accumulated depreciation	6,472,317	914,212	1,677,741	5,708,788
Net capital assets, being depreciated	5,901,700	(386,347)	3,531	5,511,822
Governmental Activities capital assets, net	\$ 5,901,700	\$ (386,347)	\$ 3,531	\$5,511,822

Depreciation expense was charged to the public safety function.

5. RELATED PARTY TRANSACTIONS

During the current year Ottawa County provided operating grants of \$4,162,742 from a special millage for central dispatch services. During the year Allegan County provided operating grants of \$184,918 for services provided to City of Holland residents residing in Allegan County. At year-end the receivable from Allegan County was \$46,229. This receivable is included in due from other governments on the statement of net position and general fund balance sheet.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

6. PENSION PLANS

Defined Benefit Pension Plan

Plan Description — The Ottawa County Central Dispatch Authority's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Employees hired before January 1, 2000 who work 30 or more hours per week are eligible to participate in the plan. The Authority participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy — The Authority is required to contribute at a predetermined rate because the plans are closed. The predetermined contributions vary based on employment division. Employees currently do not contribute to the plan. The contribution requirements of the Authority are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Authority, depending on the MERS contribution program adopted by the Authority.

Annual Pension Cost — For the year ended December 31, 2014, the Authority's annual pension expense of \$36,012 for MERS was equal to the Authority's actual and required contribution. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 13.0% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The difference in investment income between expected return and market return is recognized over a 10-year period at the rate of 10% per year. The Authority's unfunded actuarial accrued liability is being amortized over a period of 30 years. The remaining amortization period at December 31, 2013, the date of the latest actuarial valuation, was 25 years.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
12/31/12	\$33,156	100%	-
12/31/13	37,476	100%	-
12/31/14	36,012	100%	-

Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>Total</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
12/31/13	\$1,919,260	\$2,081,061	\$161,801	92.23%	\$309,863	52.22%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Defined Contribution Plan

The Authority's defined contribution pension plans provide pension benefits for employees hired after January 1, 2000 who work 30 or more hours per week and those hired before January 1, 2000 electing participation in the defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employer and plan member contributions are recognized in the period that the contributions are due. Plan investments are excluded from this report as the fiduciary responsibility for this plan rests with MERS.

Participation in the defined contribution plan is mandatory for all eligible employees. The Authority contributes 2% of each participant's base salary to the plan. Employees are required to contribute a minimum of 2% of base pay to the plan. The Authority also matches employee contributions up to a total Authority contribution of 5%. Participating employees are immediately 100% vested in the member's accumulated balance. The plan provisions and contribution amounts were established by the Authority Board and may be amended by the Authority Board. The plan is administered by MERS. The Authority and member contributions were \$70,341 and \$70,341, respectively, for the current year.

Section 457 Deferred Compensation Plan

The section 457 plan is available to all non-union employees upon completion of their probationary period. Eligible employees are not required to contribute to the plan. Employee contributions are matched 20% by the Authority. Participating employees are immediately 100% vested in the member's accumulated balance. The plan provisions and contribution amounts were established by the Authority Board and may be amended by the Authority Board. The plan is administered by ICMA. The Authority and member contributions were \$13,766 and \$57,335, respectively, for the current year.

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carried commercial insurance to cover risks of losses. The Authority had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$ 4,885,970	\$ 4,864,380	\$ 4,884,592	\$ 20,212
Investment income (loss)	20,000	40,000	51,970	11,970
Charges for services	<u>1,000</u>	<u>1,000</u>	<u>13,249</u>	<u>12,249</u>
Total revenue	<u>4,906,970</u>	<u>4,905,380</u>	<u>4,949,811</u>	<u>44,431</u>
Expenditures				
Public safety				
Personnel services	2,815,955	2,813,255	2,550,796	262,459
Supplies	57,780	57,780	33,631	24,149
Other services and charges	1,255,720	1,306,630	1,100,201	206,429
Capital outlay	<u>1,960,000</u>	<u>2,430,800</u>	<u>602,248</u>	<u>1,828,552</u>
Total expenditures	<u>6,089,455</u>	<u>6,608,465</u>	<u>4,286,876</u>	<u>2,321,589</u>
Net changes in fund balance	(1,182,485)	(1,703,085)	662,935	2,366,020
Fund balance, beginning of year	<u>7,459,504</u>	<u>7,459,504</u>	<u>7,459,504</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,277,019</u>	<u>\$ 5,756,419</u>	<u>\$ 8,122,439</u>	<u>\$ 2,366,020</u>

OTTAWA COUNTY CENTRAL DISPATCH AUTHORITY
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DEFINED BENEFIT PENSION PLAN
SCHEDULE OF FUNDING PROGRESS

FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2011	\$ 1,799,174	\$ 1,884,946	\$ 85,772	95.45%	\$ 397,407	21.58%
12/31/2012	1,860,154	1,921,340	61,186	96.82%	409,157	14.95%
12/31/2013	1,919,260	2,081,061	161,801	92.23%	309,863	52.22%

Note to required supplementary information

Budgets and Budgetary Accounting

The Authority adopts an annual budget for the general fund following the GAAP basis of accounting. Unexpended appropriations lapse at year-end.

CONTROL AND COMPLIANCE



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**INDEPENDENT AUDITORS' 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**

March 12, 2015

Members of the Board
Ottawa County Central Dispatch Authority
Grand Haven, 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 Ottawa County Central Dispatch Authority (the Authority) as of and for the year ended December 31, 2014, 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 12, 2015.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 grant agreements, 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*.

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.

Ordevelo Haefner LLC