



April 24, 2023

To the Board of Directors and Management of
Kalamazoo County Consolidated Dispatch Authority
Kalamazoo, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Kalamazoo County Consolidated Dispatch Authority (the "Authority") for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, 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 January 6, 2023. 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 District are described in Note 1 to the financial statements. As described in Note 10 to the financial statements, the District changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, Leases, in 2022. We noted no transactions during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on managements' 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 estimates affecting the financial statements were:

Management's estimate of the useful lives capital assets. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. There were no material misstatements.

Disagreements with Management

For the 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 April 24, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or 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 Authority's auditors. 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 & Analysis (MD&A), General Fund - Budgetary Comparison Schedule, which are other supplementary information 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 responses 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 the Board of Directors and management of the Authority, is not intended to be, and should not be used by anyone other than these specified parties.

Very truly yours,



Kruggel Lawton & Company, LLC



KALAMAZOO COUNTY CONSOLIDATED DISPATCH AUTHORITY
(A Component Unit of Kalamazoo County)

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

Kalamazoo County Consolidated Dispatch Authority
Kalamazoo, Michigan
December 31, 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Kalamazoo County Consolidated Dispatch Authority
Kalamazoo, Michigan

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related notes to the financial statements, as listed in the contents.

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 Authority, as of December 31, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 10 to the financial statements, in 2022 the Authority adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, 2022, 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.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

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 is the responsibility of management and, 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.

Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2023, 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 solely 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 effectiveness of the Authority's 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.

Respectfully submitted,



Certified Public Accountants

St. Joseph, MI
April 24, 2023

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, 2022. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

- The Authority's total net position increased \$2,371,963 as a result of this year's activities.
- Of the \$13,137,276 total net position reported, \$3,645,445 (27 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 \$3,509,980, which represents 39 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 statement, 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 statement that focus on individual parts of the Authority, reporting the Authority's operations in more detail than the government-wide financial statements.
 - Governmental funds statement 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 2022 and 2021 is also presented.

Government-Wide Financial Analysis

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 lone fund, its General Fund, accounts for the expenses involved in providing services to the Authority 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

In a condensed format, the following table below shows a breakdown of the net position for the years ended December 31:

| | Governmental Activities | |
|----------------------------------|-------------------------|----------------------|
| | 2022* | 2021 |
| Current and Other Assets | \$ 4,023,566 | \$ 4,910,196 |
| Noncurrent Assets | 13,448,145 | 11,008,030 |
| Total Assets | \$ 17,471,711 | \$ 15,918,226 |
| Current Liabilities | \$ 221,558 | \$ 125,051 |
| Non-current Liabilities | 4,112,877 | 5,017,974 |
| Total Liabilities | \$ 4,334,435 | \$ 5,143,025 |
| Net assets | | |
| Net Investment in Capital Assets | \$ 9,317,208 | \$ 5,990,056 |
| Restricted | 174,623 | 2,480,385 |
| Unrestricted | 3,645,445 | 2,304,760 |
| Total Net Position | \$ 13,137,276 | \$ 10,775,201 |

*The 2022 figures have been updated for the adoption of GASB 87

Changes in Net Position

The Authority's total revenues of \$7,950,000 in 2022 were approximately \$277,000 higher than total revenues in 2021 (\$7,672,835). In 2022, the Authority received \$6,216,601 in local contributions (a County tax levy), which accounts for the majority of the current increase. Total 2022 expenses of \$5,578,037 were approximately \$2,438,000 lower than the total 2021 expenses (\$8,015,724). Expenses decreased primarily due to a decrease in payments to member units for reimbursements of original start-up costs during fiscal year ending December 31, 2022.

Financial Analysis of the Authority as a Whole, Concluded

The following table represents the condensed financial information about the Authority's revenues and expenses:

| | <u>Governmental Activities</u> | |
|---|--------------------------------|-----------------------------|
| | <u>2022*</u> | <u>2021</u> |
| Program Revenues: | | |
| Charges for services | \$ 1,708,093 | \$ 1,689,380 |
| Operating grants and contributions | 6,216,601 | 5,980,246 |
| General revenues - interest | 25,306 | 3,209 |
| Total revenues | <u>\$ 7,950,000</u> | <u>\$ 7,672,835</u> |
| Public safety expenses | \$ 5,578,037 | \$ 8,015,724 |
| Change in net position | 2,371,963 | (342,889) |
| Net position at beginning of year - as restated | <u>\$ 10,765,313</u> | <u>\$ 10,432,312</u> |
| Net position at end of year | <u><u>\$ 13,137,276</u></u> | <u><u>\$ 10,775,201</u></u> |

*The 2022 figures have been updated for the adoption of GASB 87

Financial Analysis of the Authority's Fund

The Authority's is a single purpose entity and only has the 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 decreased by \$967,577, as revenues of \$7,950,000, were less than total expenditures of \$8,917,577, which includes \$2,496,370 in capital outlay expenditures in the current year.

General Fund Budgetary Highlights

The Authority amended the budget by increasing revenues by \$426,117, primarily due to a projected increase of federal grants. The expenditure budget was decreased by \$331,221, primarily due to a projected decrease in employee benefit expenditures.

Revenues were \$230,467 lower than budgeted, with the primary difference occurring in federal grants. Expenditures were \$779,143 lower than the amounts appropriated, which was primarily due to lower than anticipated operating and capital outlay costs.

The total variances resulted in a \$548,676 positive budget variance, with an actual decrease in fund balance of \$967,577 compared to a budget that anticipated a decrease of \$1,516,253 in fund balance.

Capital Assets and Debt Administration**Capital Assets**

The Authority's investment in capital assets as of December 31, 2022, totals \$13,448,145 (net of accumulated depreciation/amortization). Capital assets consist of buildings and improvements, equipment, right of use assets, and land. The net increase in capital assets totaled \$2,111,949, including additions of \$2,454,977, which was offset by \$343,028 in depreciation/amortization expense. Major capital asset additions during the year include the following:

- CIP Equipment Motorola Contract for \$2,318,366
- Equipment Vesta Controller Project for \$55,500

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

Debt

The Authority reported long-term debt at the end of the year in the amount of \$3,809,376, a reduction of \$1,208,598 from the prior year as all principal and payments were made in a timely manner.

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 Budget 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

KALAMAZOO COUNTY CONSOLIDATED DISPATCH AUTHORITY**STATEMENT OF NET POSITION
December 31, 2022****Assets**

Current assets:

| | | |
|---------------------------|----|-----------|
| Cash and cash equivalents | \$ | 1,570,994 |
| Investments | | 1,335,947 |
| Accounts receivable | | 811,241 |
| Deposit | | 162,019 |
| Prepaid expenses | | 143,365 |
| Total current assets | \$ | 4,023,566 |

Noncurrent assets:

| | | |
|---|----|------------|
| Capital assets not being depreciated | \$ | 8,478,302 |
| Capital assets net of accumulated depreciated | | 4,969,843 |
| Total noncurrent assets | \$ | 13,448,145 |
| Total Assets | \$ | 17,471,711 |

Liabilities

Current liabilities:

| | | |
|---------------------------------|----|-----------|
| Accounts payable | \$ | 59,055 |
| Accrued liabilities | | 83,907 |
| Accrued interest payable | | 7,900 |
| Current portion - note payable | | 1,238,692 |
| Current portion - lease payable | | 18,060 |
| Total current liabilities | \$ | 1,407,614 |

Noncurrent liabilities:

| | | |
|--|----|-----------|
| Notes payable, due in more than one year | \$ | 2,570,684 |
| Lease payable, due in more than one year | | 303,501 |
| Total Liabilities | \$ | 4,281,799 |

Deferred Inflows of Resources

| | | |
|----------------------|----|--------|
| Future lease revenue | \$ | 52,636 |
|----------------------|----|--------|

Net Position

| | | |
|----------------------------------|----|------------|
| Net Investment in Capital Assets | \$ | 9,317,208 |
| Restricted - for capital project | | 162,019 |
| Restricted - for training | | 12,604 |
| Unrestricted | | 3,645,445 |
| Total Net Position | \$ | 13,137,276 |

The Notes to Financial Statements are an integral part of this statement.

KALAMAZOO COUNTY CONSOLIDATED DISPATCH AUTHORITY**STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022****Operating Revenues**

| | |
|------------------------------------|---------------------|
| Charges for services | \$ 1,708,093 |
| Operating grants and contributions | 6,216,601 |
| Total operating revenues | \$ 7,924,694 |

Operating Expenses

Public safety:

| | |
|---------------------------------|---------------------|
| Dispatch services | \$ 5,112,561 |
| Depreciation/amortization | 343,028 |
| Interest | 122,448 |
| Total operating expenses | \$ 5,578,037 |

| | |
|-----------------------------|---------------------|
| Net operating income | \$ 2,346,657 |
|-----------------------------|---------------------|

Non operating income

| | |
|-------------------|-----------|
| Investment return | \$ 25,306 |
|-------------------|-----------|

| | |
|-------------------------------|---------------------|
| Change in net position | \$ 2,371,963 |
|-------------------------------|---------------------|

| | |
|---|-------------------|
| Net Position-Beginning of year - as restated | 10,765,313 |
|---|-------------------|

| | |
|----------------------------|----------------------|
| Net Position-Ending | \$ 13,137,276 |
|----------------------------|----------------------|

The Notes to Financial Statements are an integral part of this statement.

KALAMAZOO COUNTY CONSOLIDATED DISPATCH AUTHORITY**GENERAL FUND - BALANCE SHEET
December 31, 2022****Assets:**

| | | |
|---------------------------|----|-----------|
| Cash and cash equivalents | \$ | 1,570,994 |
| Investments | | 1,335,947 |
| Accounts receivable | | 811,241 |
| Deposit | | 162,019 |
| Prepaid expenses | | 143,365 |
| Total Assets | \$ | 4,023,566 |

Liabilities:

| | | |
|-------------------|----|---------|
| Accounts payable | \$ | 59,055 |
| Accrued payroll | | 83,907 |
| Total Liabilities | \$ | 142,962 |

Deferred Inflows of Resources:

| | | |
|----------------------|----|--------|
| Future lease revenue | \$ | 52,636 |
|----------------------|----|--------|

Fund Balances:

| | | |
|--|----|-----------|
| Nonspendable | \$ | 143,365 |
| Restricted for capital project | | 162,019 |
| Restricted for training | | 12,604 |
| Unassigned | | 3,509,980 |
| Total Fund Balance | \$ | 3,827,968 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ | 4,023,566 |

The Notes to Financial Statements are an integral part of this statement.

KALAMAZOO COUNTY CONSOLIDATED DISPATCH AUTHORITY**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
For the Year Ended December 31, 2022**

| | |
|--|-----------------------------|
| Total Governmental Fund Balances | \$ 3,827,968 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets, net of accumulated depreciation/amortization used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds | 13,448,145 |
| Interest payable on long-term debt does not require current financial resources and as a result, interest payable is not reported as a liability in the governmental funds balance sheet. | (7,900) |
| Long-term liabilities are not due and payable in the current period and, therefore, they are reported in the governmental funds balance sheet: | |
| Installment purchase agreement | (3,809,376) |
| Tower leases | (321,561) |
| Net Position of Governmental Activities | <u>\$ 13,137,276</u> |

The Notes to Financial Statements are an integral part of this statement.

KALAMAZOO COUNTY CONSOLIDATED DISPATCH AUTHORITY**STATEMENT OF REVENUES, EXPENDITURES, AND GENERAL FUND
CHANGES IN FUND BALANCES
For the Year Ended December 31, 2022****Revenues:**

| | | |
|--------------------------------|----|------------------|
| Federal grants | \$ | 78,235 |
| Charges for services | | 1,700,755 |
| Contributions from local units | | 6,138,366 |
| Interest and rentals | | 32,506 |
| Other | | 138 |
| Total Revenues | \$ | <u>7,950,000</u> |

Expenditures:

| | | |
|--------------------|----|------------------|
| Public Safety | \$ | 5,087,661 |
| Debt service: | | |
| Principal | | 1,208,598 |
| Interest | | 124,948 |
| Capital outlay | | 2,496,370 |
| Total Expenditures | \$ | <u>8,917,577</u> |

| | | |
|--|----|------------------|
| Deficit of Revenues Under Expenditures | \$ | <u>(967,577)</u> |
|--|----|------------------|

| | | |
|--------------------------------|----|-------------------------|
| Net Change in Fund Balance | \$ | (967,577) |
| Fund Balance-Beginning of Year | | <u>4,795,545</u> |
| Fund Balance-End of Year | \$ | <u><u>3,827,968</u></u> |

The Notes to Financial Statements are an integral part of this statement.

KALAMAZOO COUNTY CONSOLIDATED DISPATCH AUTHORITY**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ (967,577)

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

Governmental funds report capital outlays as expenditures in the Statement of Activities;
these costs are allocated over their estimated useful lives and reported as follows:

| | |
|------------------------------------|-----------|
| Assets acquired | 2,454,977 |
| Depreciation expense | (319,847) |
| Amortization of right of use asset | (23,181) |

| | |
|---------------------------------|--------|
| Lease payment principle portion | 16,493 |
|---------------------------------|--------|

| | |
|--|-----------|
| Repayment of bond principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position | 1,208,598 |
|--|-----------|

| | |
|---|--------------|
| Change in other assets/liabilities - increase in accrued interest payable | <u>2,500</u> |
|---|--------------|

| | |
|--|----------------------------|
| Net Change in Net Position of Governmental Activities | <u><u>\$ 2,371,963</u></u> |
|--|----------------------------|

The Notes to Financial Statements are an integral part of this statement.

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 (“GAAP”) as applicable to governmental units. In accordance with these guidelines, there are no component units to be included in these financial statements. The following is a summary of the significant accounting policies.

A. 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.

B. 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 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.

C. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

D. 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. Right of use assets of the Authority are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. 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 to 15 years |
| Software | 6 years |
| Right of use - leased equipment | 3 to 20 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.

Leases

Lessee - The Authority is a lessee for four leases of towers. The Authority recognizes a lease liability and an intangible right-of-use lease asset in the government-wide financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$10,000 or more.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Lessor - The Authority is a lessor for a lease of an ATM site rental agreement. The Authority recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgements include how the Authority determines (1) the discount rate is uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

The Authority monitors changes in circumstances that would require a remeasurement of this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Deferred outflows of resources - In addition to assets, the statement of net 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.

Deferred inflows of resources - In addition to liabilities, the statement of net 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 will not be recognized as an inflow of sources (revenue) until that time. The Authority reports one deferred inflow of resources from one source: leases. These amounts are long-term leases entered into by the Authority in which the Authority is the lessor for one, and the lessee for the other four. These amounts are recognized over the term of the lease agreements.

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 GAAP 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 GAAP 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. There were no reportable budgetary variances at December 31, 2022.

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, 2022, the Authority had deposits with a carrying amount of \$1,570,994.

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, 2022, \$1,320,944 of the Authority's bank balances of \$1,570,944 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:

| <i>Investment Type</i> | <i>Fair Value</i> | <i>Rating</i> | <i>Rating Organization</i> |
|--------------------------------|-------------------|---------------|----------------------------|
| Michigan CLASS Investment Pool | \$ 1,335,947 | 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, 2022, the fair value, unfunded commitments, and redemption rules of these investments are as follows:

| | <i>Michigan CLASS</i> |
|---------------------------------|---------------------------|
| Fair value at December 31, 2022 | \$ 1,335,947 |
| Unfunded commitments | none |
| Redemption frequency | n/a |
| Notice period | none |

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

| | As Restated Beginning Balance | Additions | Disposals | Ending Balance |
|--|-------------------------------------|---------------------|-------------|-----------------------------|
| <i>Governmental activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 294,273 | \$ 35,033 | \$ - | \$ 329,306 |
| Construction in progress | 5,830,630 | 2,318,366 | - | 8,148,996 |
| Subtotal | <u>\$ 6,124,903</u> | <u>\$ 2,353,399</u> | <u>\$ -</u> | <u>\$ 8,478,302</u> |
| Capital assets being depreciated/amortized | | | | |
| Buildings and improvements | \$ 2,581,994 | \$ 39,254 | \$ - | \$ 2,621,248 |
| Equipment and furnishings | 3,352,051 | 62,324 | - | 3,414,375 |
| Right of use - leased equipment | 430,196 | - | - | 430,196 |
| Subtotal | <u>\$ 6,364,241</u> | <u>\$ 101,578</u> | <u>\$ -</u> | <u>\$ 6,465,819</u> |
| Less: Accumulated depreciation/amortization | | | | |
| Buildings and improvements | \$ (363,143) | \$ (99,568) | \$ - | \$ (462,711) |
| Equipment and furnishings | (687,775) | (220,279) | - | (908,054) |
| Right of use - leased equipment | (102,030) | (23,181) | - | (125,211) |
| Subtotal | <u>\$ (1,152,948)</u> | <u>\$ (343,028)</u> | <u>\$ -</u> | <u>\$ (1,495,976)</u> |
| Total capital assets being depreciated/amortized | <u>\$ 5,211,293</u> | | | <u>\$ 4,969,843</u> |
| Governmental activities capital assets, net | <u><u>\$ 11,336,196</u></u> | | | <u><u>\$ 13,448,145</u></u> |

All depreciation/amortization 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***Governmental Activities:*****Direct Borrowing and Direct Replacement**

In 2020, the Authority entered into an installment purchase agreement for \$6,200,975 due in annual installments of \$1,333,546 through 12/1/2025. \$ 3,809,376

In 2021, the Authority entered into a twenty-year tower lease due in annual installments of \$2,400 increasing by (2%) after the first three years and every three years thereafter through 2063. 68,020

In 2021, the Authority entered into a twenty-year tower lease due in annual installments of \$2,400 through 2041. 34,899

In 2021, the Authority entered into a twenty-year tower lease due in annual installments of \$1,200 through 2041. 17,449

In 2015, the Authority entered into a twenty-year tower lease due in monthly installments of \$1,500 for first five years then annual (4%) increases for the next five years, then annual (3%) increases for the two remaining five year terms.

201,193

Total direct borrowing and direct placement \$ 4,130,937

Total long-term debt \$ 4,130,937

Long-term obligation activity for the year ended December 31, 2022, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|-------------|-----------------------|---------------------|------------------------|
| Direct Borrowings and Direct Placement | | | | | |
| Installment purchase agreement | \$ 5,017,974 | \$ - | \$ (1,208,598) | \$ 3,809,376 | \$ 1,238,692 |
| Tower leases | 338,054 | - | (16,493) | 321,561 | 18,060 |
| Total Direct Borrowings and Direct Placement | <u>\$ 5,356,028</u> | <u>\$ -</u> | <u>\$ (1,225,091)</u> | <u>\$ 4,130,937</u> | <u>\$ 1,256,752</u> |

NOTE 6 – LONG-TERM OBLIGATIONS, CONCLUDED

Debt service requirements at December 31, 2022, are as follows:

| Year Ended December 31, | Direct Borrowing and Direct Placement | |
|-------------------------|---------------------------------------|-------------------|
| | Principal | Interest |
| 2023 | \$ 1,256,752 | \$ 102,654 |
| 2024 | 1,288,052 | 71,354 |
| 2025 | 1,319,594 | 39,283 |
| 2026 | 18,911 | 6,419 |
| 2027 | 19,387 | 5,943 |
| 2028-2032 | 104,873 | 22,120 |
| 2033-2037 | 59,262 | 10,293 |
| 2038-2042 | 17,661 | 6,547 |
| 2043-2047 | 8,732 | 5,162 |
| 2048-2052 | 10,364 | 3,978 |
| 2053-2057 | 12,229 | 2,574 |
| 2058-2062 | 15,120 | 920 |
| Totals | <u>\$ 4,130,937</u> | <u>\$ 277,247</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 \$12,387, for the year ended December 31, 2022. At December 31, 2022, the Authority reported no accrued liability 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 \$326,694, for the year ended December 31, 2022. At December 31, 2022, the Authority reported no accrued liability 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.

Forfeitures may be used to reduce or reallocate employer contributions. There were forfeitures of \$9,296 during the current fiscal year that were used to reduce the Authorities pension expense.

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 thereat 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 PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2022, the Authority implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. 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.

The Authority entered into three leases in 2021 and one lease in 2015 that included four twenty-year lease agreements for towers that require annual principal and interest payments. The Authority is also the lessor for one ATM site rental agreement that began in 2017 and requires annual payments of \$7,200. There was no material impact on the Authority's financial statement after the adoption of GASB Statement 87. The change in capital assets and long-term obligations is as follows:

| | <u>Capital asset</u> | <u>Long-term obligations</u> |
|--|-----------------------------|------------------------------|
| Balances as of January 1, 2022, as previously stated | \$ 11,008,030 | \$ 5,017,974 |
| Adoption of GASB Statement 87 | <u>328,166</u> | <u>338,054</u> |
| Balances as of January 1, 2022, as restated | <u><u>\$ 11,336,196</u></u> | <u><u>\$ 5,356,028</u></u> |

NOTE 11 – SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through April 24, 2023, the date the financial statements were available to be issued. Except as noted below, no events or transactions occurred during this period which requires recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

KALAMAZOO COUNTY CONSOLIDATED DISPATCH AUTHORITY**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|----------------------|---------------------|---------------------|-------------------------------|
| Revenue: | | | | |
| Federal grants | \$ - | \$ 374,395 | \$ 78,235 | \$ (296,160) |
| Charges for services | 1,608,000 | 1,648,000 | 1,700,755 | 52,755 |
| Contributions from local units | 6,099,900 | 6,137,822 | 6,138,366 | 544 |
| Interest and rentals | 10,200 | 20,200 | 32,506 | 12,306 |
| Other | 250 | 50 | 138 | 88 |
| Total revenue | <u>\$ 7,718,350</u> | <u>\$ 8,180,467</u> | <u>\$ 7,950,000</u> | <u>\$ (230,467)</u> |
| Expenditures: | | | | |
| Public Safety: | | | | |
| Personnel costs | \$ 3,597,757 | \$ 3,505,788 | \$ 3,138,323 | \$ 367,465 |
| Employee benefits | 1,255,111 | 1,050,399 | 1,008,666 | 41,733 |
| Contractual services | 623,956 | 639,956 | 596,054 | 43,902 |
| Professional services | 41,500 | 34,500 | 22,651 | 11,849 |
| Insurance | 65,000 | 52,307 | 52,307 | - |
| Repairs and maintenance | 25,000 | 25,000 | 20,398 | 4,602 |
| Travel | 65,000 | 71,000 | 43,488 | 27,512 |
| Supplies | 32,500 | 32,500 | 20,792 | 11,708 |
| Utilities | 177,940 | 177,940 | 166,820 | 11,120 |
| Miscellaneous | 39,500 | 42,000 | 18,162 | 23,838 |
| Debt service: | | | | |
| Principal | 1,208,598 | 1,208,598 | 1,208,598 | - |
| Interest | 124,949 | 124,949 | 124,948 | 1 |
| Capital outlay | 2,771,130 | 2,731,783 | 2,496,370 | 235,413 |
| Total expenditures | <u>\$ 10,027,941</u> | <u>\$ 9,696,720</u> | <u>\$ 8,917,577</u> | <u>\$ 779,143</u> |
| Excess (deficiency) of revenue over (under) expenditures | \$ (2,309,591) | \$ (1,516,253) | \$ (967,577) | <u>\$ 548,676</u> |
| Fund balance - beginning | <u>4,795,545</u> | <u>4,795,545</u> | <u>4,795,545</u> | |
| Fund balance - ending | <u>\$ 2,485,954</u> | <u>\$ 3,279,292</u> | <u>\$ 3,827,968</u> | |

COMPLIANCE LETTER



**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***

To the Board of Directors of
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 business activities of Kalamazoo County Consolidated Dispatch Authority (the "Authority"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's financial statements and have issued our report thereon dated April 24, 2023.

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 entity'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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses (2022-001) that we consider to be a material weakness.

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*.

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kruegel, Lawton & Company, LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

St. Joseph, MI
April 24, 2023

SECTION I – FINANCIAL STATEMENT FINDINGS

Finding 2022-001 Material Weakness – Preparation of GAAP Financial Statements

Condition: As is the case with many small and medium-sized governmental entities, the Kalamazoo County Consolidated Dispatch Authority (the “Authority”) has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements, fund financial statements, and notes to financial statements as part of its external financial reporting process. Accordingly, the Authority’s ability to prepare financial statements in accordance with generally accepted accounting principles (“GAAP”) is based, in part, on its reliance on its external auditors, who by definition, cannot be considered part of the Authority’s internal controls.

Criteria: All Michigan governments are required to prepare financial statements in accordance with GAAP. This is the responsibility of the Authority’s management. The preparation of financial statements in accordance with GAAP requires internal controls over both: 1) recording, processing and summarizing accounting data (maintaining internal accounting books and records); and 2) reporting government-wide and fund financial statements, including the related notes to financial statements (external financial reporting).

Cause: This condition was caused by the Authority’s decision to outsource the preparation of its annual financial statements to the auditors. This decision was based on the determination that it would be more cost effective to outsource this function rather than invest the time and incur the expense to obtain the necessary training and expertise for the Authority to prepare this information internally.

Effect: The Authority lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this duty.

Recommendation: We recommend that the Authority’s management evaluate the cost versus benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determine if it is in the best interests of the Authority to outsource this duty to its external auditors. If the Authority continues to rely on its external auditors to prepare the financial statements, we recommend that the board designate a responsible Authority official to carefully review the draft financial statements, including the notes, prior to approving them and accepting responsibility for their content and presentation.

Management Response: Management is aware of this deficiency. However, the Authority has determined that the cost of contracting a qualified independent third party to prepare the financial statements would not be cost effective.

SECTION II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The Authority has spent under the \$750,000 threshold for federal expenditures and is not required to have a single audit under the Uniform Guidance.