

Downriver Mutual Aid

**Financial Report
with Supplemental Information
September 30, 2009**

Downriver Mutual Aid

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Independent Auditor's Report

To the Board of Directors
Downriver Mutual Aid

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Downriver Mutual Aid as of and for the year ended September 30, 2009, which collectively comprise Downriver Mutual Aid's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Downriver Mutual Aid's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Downriver Mutual Aid as of September 30, 2009 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Downriver Mutual Aid's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Directors
Downriver Mutual Aid

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2010 on our consideration of Downriver Mutual Aid's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

February 10, 2010

Downriver Mutual Aid

Management's Discussion and Analysis

Our discussion and analysis of Downriver Mutual Aid's (DMAid) financial performance provides an overview of DMAid's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with DMAid's financial statements.

Financial Highlights

- Effective July 1, 2009, the user fees from the E-911 revenue increased from .34 cents per line to .42 per line. In addition, phone companies are now required to submit their user fees on a quarterly basis rather than a monthly basis. The fees will now be submitted to Wayne County Treasurer's Office, who will in turn issue revenue checks to the E-911 Districts.
- In addition to the two current COPS grants, the Downriver Mutual Aid was awarded two new COPS grants. These grants will not only assist communities in upgrading technology and crime preventing equipment, but also assist with the maintenance costs and upgrading of the 800 Mhz system.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of DMAid as a whole and present a longer-term view of DMAid's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the members' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report DMAid's operations in more detail than the government-wide financial statements by providing information about DMAid's most significant funds.

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Management's Discussion and Analysis (Continued)

DMAid as a Whole

The following table shows, in a condensed format, the net assets as of September 30, 2009 and 2008:

	Governmental Activities	
	2009	2008
Assets		
Current assets	\$ 3,537,810	\$ 3,554,432
Noncurrent assets	<u>4,022,250</u>	<u>4,886,319</u>
Total assets	7,560,060	8,440,751
Liabilities		
Current liabilities	1,232,323	1,552,920
Noncurrent liabilities	<u>302,761</u>	<u>1,238,476</u>
Total liabilities	<u>1,535,084</u>	<u>2,791,396</u>
Net Assets		
Invested in capital assets - Net of related debt	2,783,774	2,770,425
Restricted for 911 expenditures	1,550,063	1,210,538
Restricted for grant expenditures	1,511,931	1,505,403
Unrestricted	<u>179,208</u>	<u>162,989</u>
Total net assets	<u>\$ 6,024,976</u>	<u>\$ 5,649,355</u>

DMAid's combined net assets total \$6.0 million for the fiscal year ended September 30, 2009. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets, assets that are restricted for a specific purpose/use, and invested in capital assets total \$5.8 million. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total \$179,208.

Downriver Mutual Aid

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets for the years ended September 30, 2009 and 2008:

	Governmental Activities	
	2009	2008
Revenue		
Program revenue:		
Charges for services	\$ 1,826,449	\$ 1,472,886
Operating grants and contributions	1,965,058	2,770,620
General revenue - Miscellaneous revenue	22,606	57,965
Total revenue	3,814,113	4,301,471
Program Expenses		
Police	68,881	98,580
Fire	92,149	103,686
DRANO operations	299,866	412,877
Highway safety	364,526	713,240
Auto theft	59,294	60,433
Drug enhancement	388,512	421,890
911	1,336,141	1,447,153
COPS	419,815	213,856
Michigan State Police/Chief	297,005	292,135
Interest on long-term debt	112,303	166,968
Total program expenses	3,438,492	3,930,818
Change in Net Assets	\$ 375,621	\$ 370,653

Governmental Activities

Governmental activities are those activities (such as police and fire) provided to the constituents of DMAid and supported by member assessments, forfeitures, and grants. Revenues and expenses vary from year to year depending on grant awards and related expenditures as well as forfeiture receipts and related distributions to participating agencies.

DMAid's Funds

Our analysis of DMAid's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not DMAid as a whole. The DMAid board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. DMAid's major funds for 2009 include the highway safety program, 911 activities, Michigan State Police/Chief activity, drug enhancement activities, DRANO operations activity, and COPS grant activities.

Downriver Mutual Aid

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2008, DMAid had \$4.0 million invested in a broad range of capital assets, including 911 equipment. These assets are necessary to carry out the day-to-day operations of Downriver Mutual Aid.

Economic Factors and Next Year's Budgets and Rates

The money collected from the 911 user fees is used to make monthly payments on the debt associated with the 911 equipment. The provision to charge user fees was recently extended through 2014. Our legal counsel believes user fees can continue to be assessed until the debt is paid in full.

Contacting DMAid's Management

This financial report is intended to provide our citizens, customers, and member communities with a general overview of DMAid's finances and to show DMAid's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the accounting office.

Downriver Mutual Aid

Statement of Net Assets September 30, 2009

	Primary Government <hr/> Governmental Activities <hr/>
Assets	
Cash and investments (Note 3)	\$ 1,923,405
Due from other governmental units	398,923
Prepaid and other assets	3,389
Restricted assets (Note 8)	1,212,093
Capital assets - Net (Note 4)	<u>4,022,250</u>
 Total assets	 <u>\$ 7,560,060</u>
Liabilities and Net Assets	
Liabilities	
Accrued and other liabilities	\$ 294,341
Deferred revenue (Note 5)	2,267
Noncurrent liabilities (Note 7):	
Due within one year	935,715
Due in more than one year	<u>302,761</u>
 Total liabilities	 1,535,084
Net Assets	
Invested in capital assets - Net of related debt	2,783,774
Restricted for 911 expenditures	1,550,063
Restricted for grant expenditures	1,511,931
Unrestricted	<u>179,208</u>
 Total net assets	 <u>6,024,976</u>
 Total liabilities and net assets	 <u>\$ 7,560,060</u>

Downriver Mutual Aid

Statement of Activities Year Ended September 30, 2009

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Police	\$ 68,881	\$ -	\$ 63,850	\$ (5,031)
Fire	92,149	27,752	73,202	8,805
DRANO operations	299,866	50	287,559	(12,257)
Highway safety	364,526	-	364,526	-
Auto theft	59,294	-	58,582	(712)
Drug enhancement	388,512	-	143,592	(244,920)
911	1,336,141	1,798,647	-	462,506
COPS	419,815	-	419,815	-
Michigan State Police/Chief	297,005	-	553,932	256,927
Interest on long-term debt	112,303	-	-	(112,303)
Total governmental activities	<u>\$ 3,438,492</u>	<u>\$ 1,826,449</u>	<u>\$ 1,965,058</u>	353,015
				22,606
				375,621
				5,649,355
				<u>\$ 6,024,976</u>

Downriver Mutual Aid

Governmental Funds Balance Sheet September 30, 2009

	Major Funds						Nonmajor Governmental Funds	Total Governmental Funds
	Highway Safety	911	Michigan State Police/Chief	Drug Enhancement	DRANO Operations	COPS		
Assets								
Cash and investments (Note 3)	\$ -	\$ 137,472	\$ 1,248,845	\$ 228,686	\$ 68,130	\$ 1,184	\$ 240,846	\$ 1,925,163
Due from other governmental units	190,485	203,724	-	-	-	230	4,484	398,923
Prepaid and other assets	-	-	1,650	-	564	-	1,175	3,389
Restricted assets (Note 8)	-	1,212,093	-	-	-	-	-	1,212,093
Total assets	\$ 190,485	\$ 1,553,289	\$ 1,250,495	\$ 228,686	\$ 68,694	\$ 1,414	\$ 246,505	\$ 3,539,568
Liabilities and Fund Balances (Deficit)								
Liabilities								
Bank overdraft	\$ 1,758	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,758
Accrued and other liabilities	188,727	3,226	75,786	1,510	9,499	1,155	14,438	294,341
Deferred revenue (Note 5)	114,892	394,765	-	-	2,008	489	-	512,154
Total liabilities	305,377	397,991	75,786	1,510	11,507	1,644	14,438	808,253
Fund Balances (Deficit)								
Reserved for 911 expenditures	-	1,212,093	-	-	-	-	-	1,212,093
Reserved for grant expenditures	-	-	1,174,709	227,176	57,187	-	52,859	1,511,931
Unreserved Special Revenue Funds	(114,892)	(56,795)	-	-	-	(230)	179,208	7,291
Total fund balances (deficit)	(114,892)	1,155,298	1,174,709	227,176	57,187	(230)	232,067	2,731,315
Total liabilities and fund balances (deficit)	\$ 190,485	\$ 1,553,289	\$ 1,250,495	\$ 228,686	\$ 68,694	\$ 1,414	\$ 246,505	\$ 3,539,568
Fund Balance - Total Governmental Funds								\$ 2,731,315
Amounts reported for governmental activities in the statement of net assets are different because:								
Capital assets used in governmental activities are not financial resources and are not reported in the funds								4,022,250
Revenue is expected to be collected in a future period and is not available to pay for current year expenditures								509,887
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds								(1,238,476)
Net Assets - Governmental Activities								\$ 6,024,976

Downriver Mutual Aid

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended September 30, 2009

	Major Funds						Nonmajor Governmental Funds	Total Governmental Funds
	Highway Safety	911	Michigan State Police/Chief	Drug Enhancement	DRANO Operations	COPS		
Revenue								
Membership assessments	\$ -	\$ -	\$ -	\$ -	\$ 115,600	\$ -	\$ 137,052	\$ 252,652
Federal grants	614,413	-	-	11,604	101,817	419,615	-	1,147,449
State and local grants	-	-	-	1,520	-	-	30,732	32,252
Reimbursements and other revenue	-	-	-	-	50	-	27,752	27,802
Forfeiture receipts:								
Federal	-	-	493,858	3,583	-	-	-	497,441
State	-	-	60,074	126,885	70,142	-	27,850	284,951
Interest	-	6,880	10,226	4,973	527	-	-	22,606
911 user charge	-	1,528,528	-	-	-	-	-	1,528,528
Total revenue	614,413	1,535,408	564,158	148,565	288,136	419,615	223,386	3,793,681
Expenditures								
Salaries	3,363	1,901	31,185	27,730	51,146	4,436	42,725	162,486
Fringe benefits	591	431	2,707	11,344	21,144	1,316	7,805	45,338
Professional services	3,000	202,595	17,157	4,290	6,960	-	4,537	238,539
Office supplies	-	-	4,404	18	5,539	96	10,686	20,743
Communication costs	-	2,330	225	4,580	13,665	-	14,482	35,282
Maintenance	-	216,386	169	-	24,052	103,129	27,684	371,420
Building rent	-	-	56,400	3,600	15,840	-	14,058	89,898
Rental equipment	-	-	52,294	-	64,290	-	-	116,584
Training	-	-	7,962	-	-	-	6,270	14,232
Business meetings	47	-	-	-	970	-	4,857	5,874
Insurance	-	52,608	-	-	1,423	-	7,281	61,312
Forfeiture outlay	-	-	-	14,636	2,911	-	25	17,572
Manpower reimbursement	357,525	-	55,132	321,176	80,796	-	13,741	828,370
Miscellaneous	-	30	31,790	1,138	7,564	60	17,577	58,159
Capital outlay	-	-	45,816	-	3,566	310,778	36,151	396,311
Debt service	-	989,721	-	-	-	-	-	989,721
Total expenditures	364,526	1,466,002	305,241	388,512	299,866	419,815	207,879	3,451,841
Net Change in Fund Balance (Deficit)	249,887	69,406	258,917	(239,947)	(11,730)	(200)	15,507	341,840
Fund Balances (Deficit) - Beginning of year	(364,779)	1,085,892	915,792	467,123	68,917	(30)	216,560	2,389,475
Fund Balances (Deficit) - End of year	\$ (114,892)	\$ 1,155,298	\$ 1,174,709	\$ 227,176	\$ 57,187	\$ (230)	\$ 232,067	\$ 2,731,315

The Notes to Financial Statements are an
Integral Part of this Statement.

Downriver Mutual Aid

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended September 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ 341,840
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 as depreciation	(864,069)
Revenue reported in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	20,432
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>877,418</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 375,621</u></u>

Downriver Mutual Aid

**Notes to Financial Statements
September 30, 2009**

Note I - Summary of Significant Accounting Policies

The accounting policies of Downriver Mutual Aid (DMAid) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Downriver Mutual Aid:

Reporting Entity

DMAid is a program funded by member assessments of 18 communities of the southern Wayne County area of metropolitan Detroit. It was established to enhance the separate operations of the various communities through its mutual police, fire, auto theft, and narcotics divisions. DMAid is administered by Downriver Community Conference (DCC) and is coordinated with the Michigan State Police. DMAid has received approval of its interlocal agreement from the governor of the state of Michigan. This agreement recognizes DMAid as a separate legal entity.

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in DMAid. In accordance with these criteria, there are no component units included in DMAid.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of DMAid. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function 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. Interest income and other items not properly included among program revenues are reported instead as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

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. Revenue is 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, DMAid considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue source meets the availability criterion: federal grant reimbursements will be collected after the period of availability; certain receivables have been recorded for these, along with “deferred revenue.”

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

DMAid reports the following major governmental funds:

Highway Safety Fund - The Highway Safety Fund accounts for a federal program to provide additional law enforcement on area highways.

911 Fund - The 911 Fund accounts for the activity of the 911 services that are provided to the downriver communities.

Michigan State Police/Chief Fund - The Michigan State Police/Chief Fund accounts for the activities of joint undercover police drug task force operations.

Drug Enhancement Fund - The Drug Enhancement Fund accounts for the combined drug enhancement activities that are performed on behalf of the downriver communities.

DRANO Operations Fund - The DRANO (Downriver Area Narcotics Organization) Operations Fund accounts for the general activities of the narcotics task force.

Note I - Summary of Significant Accounting Policies (Continued)

COPS Fund - The COPS Fund accounts for the revenue and expenditures related to federal COPS (Community Oriented Policing Services) grants.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, DMAid's policy is to first apply restricted resources.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

Capital Assets - Capital assets, which include 911 equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by DMAid as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost.

911 equipment is depreciated using the straight-line method over useful lives of 6 to 20 years. Furniture and equipment and vehicles are depreciated over three to seven years.

Long-term Obligations - In the government-wide financial statements, long-term debt is reported as liabilities in the governmental activities statement of net assets.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Forfeited Property - As of September 30, 2009, DMAid had acquired various assets through forfeiture. These assets are not recorded in the financial statements since no objective basis of valuation has been determined and the assets do not represent a spendable financial resource. If and when those assets are sold at an auction, the proceeds from the sale are recorded as revenues. Cash received during raids and other activities is recognized as revenue after adjudication and offset of various expenses.

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

Upcoming Accounting Pronouncements - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned. DMAid is currently evaluating the impact this standard will have on the financial statements when adopted.

Note 2 - Stewardship, Compliance, and Accountability

Fund Deficits - DMAid has an accumulated fund deficit of \$114,892 in the Highway Safety Fund and \$230 in the COPS Fund. The deficits are a result of grant revenue not recorded as revenue in the current year due to GASB Statement No. 33, as disclosed in Note 5. The deficits will be eliminated with the receipt of this revenue.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2009

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. DMAid is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

DMAid has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. Downriver Mutual Aid's deposits and investment policies are in accordance with statutory authority.

Downriver Mutual Aid's cash and investments are subject to two types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, Downriver Mutual Aid's deposits may not be returned to it. Downriver Mutual Aid does not have a deposit policy for custodial credit risk. At year end, DMAid had approximately \$1,045,000 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. DMAid believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, Downriver Mutual Aid evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. DMAid's investment policy does not further limit its investment choices. As of year end, Downriver Mutual Aid had approximately \$591,000 invested in mutual funds that were unrated.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2009

Note 4 - Capital Assets

Capital asset activity of DMAid's governmental activities was as follows:

	Balance October 1, 2008	Additions	Balance September 30, 2009
Governmental Activities			
Capital assets being depreciated:			
Furniture and equipment	\$ 386,618	\$ 77,320	\$ 463,938
Vehicles	146,748	-	146,748
911 system	<u>11,330,405</u>	<u>-</u>	<u>11,330,405</u>
Subtotal	11,863,771	77,320	11,941,091
Accumulated depreciation:			
Furniture and equipment	115,550	69,084	184,634
Vehicles	87,652	12,445	100,097
911 system	<u>6,774,250</u>	<u>859,860</u>	<u>7,634,110</u>
Subtotal	<u>6,977,452</u>	<u>941,389</u>	<u>7,918,841</u>
Net capital assets being depreciated	<u>\$ 4,886,319</u>	<u>\$ (864,069)</u>	<u>\$ 4,022,250</u>

Depreciation expense was charged to programs as follows:

911 system	\$ 859,860
Other programs	<u>81,529</u>
Total	<u>\$ 941,389</u>

As discussed in Note 7, the 911 system is being financed through debt issued by the City of Taylor. DMAid's pledge related to this financing transaction meets the criteria of a capital lease; therefore, the 911 system is reflected as a DMAid asset.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2009

Note 5 - Deferred Revenue

Deferred revenue at September 30, 2009 is as follows:

	Unearned	Revenue not Available to Finance Current Expenditures	Total
Highway safety	\$ -	\$ 114,892	\$ 114,892
911	-	394,765	394,765
DRANO	2,008	-	2,008
COPS Grant IV	259	230	489
Total	<u>\$ 2,267</u>	<u>\$ 509,887</u>	<u>\$ 512,154</u>

Advances on Grants - DMAid receives funds from federal and state governments under various acts to enable DMAid to conduct special programs. Funds received and unexpended as of September 30, 2009 are accounted for as deferred revenue. When expenditures are incurred, revenue is recognized and deferred revenue is reduced. Upon conclusion of the program, unexpended grant funds related to advances are refunded.

Revenue Not Available to Finance Current Expenditures - GASB Statement No. 33 requires all governmental fund revenue to be recognized only when available to finance expenditures of the current period (received within 60 days of year end). The balances above represent state and federal grant reimbursements that were not received within 60 days of year end. Receipt of these reimbursements will alleviate the fund deficits.

Note 6 - Assets Held in Trust

DMAid holds cash and other assets seized as evidence. At September 30, 2009, the cash balance was \$31,611. In addition, DMAid holds other noncash assets related to pending cases. The value of the noncash assets has not been recorded. Upon resolution of the cases, the assets are either returned to the owners, destroyed, or become the property of DMAid.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2009

Note 7 - Long-term Debt

The outstanding debt balance of DMAid as of September 30, 2009 consists of a pledge to pay an installment purchase agreement between the City of Taylor (a member community) and a bank for the 911 system. The City of Taylor purchased a public safety radio communications system through an installment purchase agreement dated October 31, 2000. DMAid, as the emergency telephone district board acting on behalf of the Downriver Mutual Aid 911 Service District, has pledged current and future 911 user charge revenue for the repayment of debt. The debt is payable in monthly payments of principal and interest of \$82,477 through January 2011. The debt bears an interest rate of 6.45 percent. The 911 user charge legislation was recently revised and extended into through 2014. DMAid's legal counsel has asserted that DMAid will be able to continue to assess the user charge until the debt is paid in full. During the year ended September 30, 2009, the 911 user charge revenue was \$1,087,357 and debt service payments were \$989,721. The cumulative balance of 911 user charges in excess of the debt service payments is shown as restricted assets.

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
General obligation debt - Installment purchase agreement:						
\$7,279,926		\$302,761 -				
Maturing through 2011	6.45%	\$ 935,715	\$ 2,115,894	\$ (877,418)	\$ 1,238,476	\$ 935,715

Annual debt service requirements to maturity for the above installment purchase agreement are as follows:

	Principal	Interest	Total
2010	\$ 935,715	\$ 54,009	\$ 989,724
2011	302,761	4,386	307,147
Total	\$ 1,238,476	\$ 58,395	\$ 1,296,871

Downriver Mutual Aid

Notes to Financial Statements September 30, 2009

Note 8 - Restricted Assets

Restricted assets consist of cash and cash equivalents and accounts receivable as noted below. The amounts are restricted in accordance with the 911 operating agreement. At September 30, 2009, fund balance has been reserved in the 911 Fund for the entire balance of these restricted assets.

The balances of the restricted asset accounts are as follows:

Cash	\$ 590,585
Accounts receivable	<u>621,508</u>
Total restricted assets	<u>\$ 1,212,093</u>

Note 9 - Risk Management

DMAid is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). DMAid has purchased commercial insurance for these claims. DMAid is also exposed to various risks of loss related to medical benefits provided to employees. DMAid is partially self-insured for these claims. DMAid is responsible for the first \$1,000 per occurrence for claims filed. The self-insured claims expense for the year ended September 30, 2009 was not significant. DMAid management estimates that there are no significant unpaid medical claims at year end. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - Commitment

During the current year, DMAid entered into a contract for repairs and subscription services related to the 911 system. At September 30, 2009, the total amount of the contract was \$857,353 with a remaining commitment of \$285,785.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2009

Note 11 - Operating Leases

In September 2006, DMAid entered into a five-year operating lease for office space. The lease expires in September 2011. DMAid has a renewal option to extend the lease for an additional five years at market rate with the increase capped at 110 percent of the prior 12 months' rent. The minimum rental commitment under the operating lease is as follows:

<u>Years Ending September 30</u>	<u>Amount</u>
2010	\$ 75,000
2011	<u>68,750</u>
Total	<u>\$ 143,750</u>

Note 12 - Related Party Transactions

The directors and officers of Downriver Community Conference (DCC), a related organization, are also directors and officers of DMAid.

DCC performs administrative and accounting services for DMAid. During the year ended September 30, 2009, there were immaterial transactions related to the central cost allocation plan and expense reimbursements between DMAid and DCC.

Downriver Mutual Aid

Notes to Financial Statements September 30, 2009

Note 12 - Related Party Transactions (Continued)

In addition, DMAid reimburses member communities for various expenditures, distributes forfeited funds from adjudicated enforcement activity seizures, and purchases equipment on behalf of member communities. These amounts are outlined below:

	Manpower Reimbursement and Forfeiture Distributions	COPS Equipment Purchases and Reimbursement
	<u> </u>	<u> </u>
Related party:		
City of Allen Park	\$ 49,897	\$ 10,580
Brownstown Township	49,737	-
City of Ecorse	-	-
City of Flat Rock	1,344	17,869
City of Gibraltar	770	18,178
Grosse Ile Township	-	3,969
Huron Township	49,942	-
City of Lincoln Park	1,610	10,580
City of Melvindale	50,114	20,250
City of River Rouge	1,540	19,082
City of Riverview	50,473	1,459
City of Rockwood	1,344	13,160
City of Romulus	24,813	10,580
City of Southgate	50,263	10,580
City of Taylor	50,095	14,298
City of Trenton	2,198	-
City of Woodhaven	49,913	-
City of Wyandotte	770	146,341
	<u> </u>	<u> </u>
Total related party	434,823	296,926
Nonrelated party amounts	<u>393,547</u>	<u>-</u>
	<u> </u>	<u> </u>
Total	<u>\$ 828,370</u>	<u>\$ 296,926</u>

Required Supplemental Information

Downriver Mutual Aid

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Highway Safety Fund Year Ended September 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ -	\$ (364,779)	\$ (364,779)	\$ -
Resources (Inflows) - Federal grants	754,919	399,997	614,413	214,416
Charges to Appropriations (Outflows)				
Salaries	8,400	3,000	3,363	(363)
Fringe benefits	2,600	750	591	159
Professional services	4,000	3,250	3,000	250
Business meetings	-	-	47	(47)
Manpower reimbursement	739,919	392,997	357,525	35,472
Total charges to appropriations (outflows)	<u>754,919</u>	<u>399,997</u>	<u>364,526</u>	<u>35,471</u>
Fund Balance (Deficit) - End of year	<u>\$ -</u>	<u>\$ (364,779)</u>	<u>\$ (114,892)</u>	<u>\$ 249,887</u>

Downriver Mutual Aid

Required Supplemental Information Budgetary Comparison Schedule (Continued) Major Special Revenue Funds - 911 Fund Year Ended September 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 1,205,305	\$ 1,085,892	\$ 1,085,892	\$ -
Resources (Inflows)				
911 user charge (land line)	1,150,000	838,291	1,087,357	249,066
911 user charge (cell phone - Wayne County)	372,000	372,687	441,171	68,484
Interest	35,000	7,750	6,880	(870)
Total resources (inflows)	1,557,000	1,218,728	1,535,408	316,680
Charges to Appropriations (Outflows)				
Salaries	3,750	3,750	1,901	1,849
Fringe benefits	750	1,088	431	657
Professional services	16,000	10,000	7,920	2,080
Subscriptions	200,000	200,000	194,675	5,325
Office supplies	350	350	-	350
Communication costs	2,500	2,500	2,330	170
Maintenance	305,000	205,000	197,829	7,171
Utilities	18,000	16,500	18,557	(2,057)
Insurance	57,250	57,250	52,608	4,642
Miscellaneous	500	500	30	470
Debt service	989,724	989,724	989,721	3
Total charges to appropriations (outflows)	1,593,824	1,486,662	1,466,002	20,660
Fund Balance - End of year	\$ 1,168,481	\$ 817,958	\$ 1,155,298	\$ 337,340

Downriver Mutual Aid

Required Supplemental Information Budgetary Comparison Schedule (Continued) Major Special Revenue Funds - Michigan State Police/Chief Fund Year Ended September 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 846,509	\$ 915,792	\$ 915,792	\$ -
Resources (Inflows)				
Forfeiture receipts	300,000	544,200	553,932	9,732
Interest	28,400	10,000	10,226	226
Total resources (inflows)	328,400	554,200	564,158	9,958
Charges to Appropriations (Outflows)				
Salaries	29,702	29,702	31,185	(1,483)
Fringe benefits	4,455	4,455	2,707	1,748
Professional services	5,000	6,500	17,157	(10,657)
Office supplies	6,300	8,000	4,404	3,596
Communication costs	1,000	1,000	225	775
Maintenance	3,000	3,000	169	2,831
Rent	135,000	135,000	108,694	26,306
Training	1,000	5,000	7,962	(2,962)
Business meetings	350	350	-	350
Insurance	2,250	2,250	-	2,250
Manpower reimbursement	90,000	100,000	55,132	44,868
Advertising	3,000	3,000	2,999	1
Printing/Copy/Fax	1,250	1,250	-	1,250
Computer related/Internet	2,000	2,000	1,100	900
Undercover investigation	35,000	48,000	26,964	21,036
Travel	1,000	1,000	-	1,000
Miscellaneous	1,500	1,500	727	773
Capital outlay	30,000	37,000	45,816	(8,816)
Total charges to appropriations (outflows)	351,807	389,007	305,241	83,766
Fund Balance - End of year	\$ 823,102	\$ 1,080,985	\$ 1,174,709	\$ 93,724

Downriver Mutual Aid

Required Supplemental Information Budgetary Comparison Schedule (Continued) Major Special Revenue Funds - Drug Enhancement Fund Year Ended September 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 172,941	\$ 467,123	\$ 467,123	\$ -
Resources (Inflows)				
Federal grants	-	-	11,604	11,604
State and local grants	21,432	21,432	1,520	(19,912)
Forfeiture receipts	65,000	135,000	130,468	(4,532)
Interest	6,500	6,500	4,973	(1,527)
Total resources (inflows)	92,932	162,932	148,565	(14,367)
Charges to Appropriations (Outflows)				
Salaries	30,005	30,005	27,730	2,275
Fringe benefits	17,337	14,456	11,344	3,112
Professional services	2,500	4,500	4,290	210
Office supplies	650	650	18	632
Communication costs	4,750	4,750	4,580	170
Rent	4,200	4,200	3,600	600
Forfeiture outlay	5,000	15,000	14,636	364
Manpower reimbursement	165,000	321,176	321,176	-
Miscellaneous	100	100	1,138	(1,038)
Total charges to appropriations (outflows)	229,542	394,837	388,512	6,325
Fund Balance - End of year	\$ 36,331	\$ 235,218	\$ 227,176	\$ (8,042)

Downriver Mutual Aid

Required Supplemental Information Budgetary Comparison Schedule (Continued) Major Special Revenue Funds - DRANO Operations Fund Year Ended September 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 51,661	\$ 68,917	\$ 68,917	\$ -
Resources (Inflows)				
Membership assessments	115,600	115,600	115,600	-
Federal grants	90,000	90,000	101,817	11,817
Reimbursements	-	-	50	50
Forfeiture receipts	250,000	50,000	70,142	20,142
Interest	2,500	500	527	27
Total resources (inflows)	458,100	256,100	288,136	32,036
Charges to Appropriations (Outflows)				
Salaries	48,171	48,171	51,146	(2,975)
Fringe benefits	20,714	20,714	21,144	(430)
Professional services	6,500	7,000	6,960	40
Office supplies	7,500	7,500	5,539	1,961
Communication costs	11,500	13,050	13,665	(615)
Maintenance	2,500	2,500	24,052	(21,552)
Rent	16,420	106,420	80,130	26,290
Training	9,000	2,000	-	2,000
Business meetings	1,000	1,000	970	30
Insurance	2,300	2,300	1,423	877
Forfeiture outlay	45,000	2,500	2,911	(411)
Manpower reimbursement	300,000	66,664	80,796	(14,132)
Advertising	15	15	-	15
Printing/Copy/Fax	100	100	-	100
Computer related/Internet	350	450	-	450
Undercover investigation	6,500	2,000	200	1,800
Travel	1,000	1,000	-	1,000
Capital outlay	2,500	2,500	3,566	(1,066)
Miscellaneous	1,300	1,900	7,364	(5,464)
Total charges to appropriations (outflows)	482,370	287,784	299,866	(12,082)
Fund Balance - End of year	\$ 27,391	\$ 37,233	\$ 57,187	\$ 19,954

Downriver Mutual Aid

Required Supplemental Information Budgetary Comparison Schedule (Continued) Major Special Revenue Funds - COPS Fund Year Ended September 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Fund Balance (Deficit) - Beginning of year	\$ -	\$ (30)	\$ (30)	\$ -
Resources (Inflows) - Federal grants	631,328	321,805	419,615	97,810
Charges to Appropriations (Outflows)				
Salaries	12,200	5,500	4,436	1,064
Fringe benefits	2,500	1,155	1,316	(161)
Office supplies	75	150	96	54
Maintenance	54,000	50,000	103,129	(53,129)
Miscellaneous	-	-	60	(60)
Capital outlay	562,553	265,000	310,778	(45,778)
Total charges to appropriations (outflows)	<u>631,328</u>	<u>321,805</u>	<u>419,815</u>	<u>(98,010)</u>
Fund Balance (Deficit) - End of year	<u>\$ -</u>	<u>\$ (30)</u>	<u>\$ (230)</u>	<u>\$ (200)</u>

Downriver Mutual Aid

Note to Required Supplemental Information September 30, 2009

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for Special Revenue Funds. All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. The amounts of expenditures outstanding at September 30, 2009 have not been calculated.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Excess of Expenditures Over Appropriations in Budgeted Funds - Michigan State Police/Chief Fund professional services expenditures were higher than what was budgeted due to an increase in attorney fees in the last month of the fiscal year. A drug forfeiture case was being contested that was not anticipated, thus leading to higher attorney fees. In the DRANO Operations Fund, the maintenance expenditures were higher than budgeted because expenditures were incorrectly posted to Maintenance expense rather than vehicle rent expense. As a result, there is surplus in the budget vs. actual in rent expense. For manpower reimbursements, a decrease in the reimbursement from the state led to an increase in the expenditure for the DRANO unit. There are three COPS grants that are running concurrently. DMAid receives requests from communities for reimbursements. DMAid budgeted community reimbursements over three years, but reimbursement requests came in quicker than anticipated.

Other Supplemental Information

Downriver Mutual Aid

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds September 30, 2009

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Auto Theft	Police	Fire	
Assets				
Cash and investments	\$ 53,335	\$ 46,403	\$ 141,108	\$ 240,846
Due from other governmental units	606	-	3,878	4,484
Prepaid and other assets	275	-	900	1,175
Total assets	\$ 54,216	\$ 46,403	\$ 145,886	\$ 246,505
Liabilities and Fund Balances				
Liabilities				
Accrued and other liabilities	\$ 1,357	\$ 5,768	\$ 7,313	\$ 14,438
Fund Balances				
Reserved	52,859	-	-	52,859
Unreserved	-	40,635	138,573	179,208
Total fund balances	52,859	40,635	138,573	232,067
Total liabilities and fund balances	\$ 54,216	\$ 46,403	\$ 145,886	\$ 246,505

Downriver Mutual Aid

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended September 30, 2009

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Auto Theft	Police	Fire	
Revenue				
Membership assessments	\$ -	\$ 63,850	\$ 73,202	\$ 137,052
State and local grants	30,732	-	-	30,732
Reimbursements and other revenue	-	-	27,752	27,752
Forfeiture receipts - State	27,850	-	-	27,850
Total revenue	58,582	63,850	100,954	223,386
Expenditures				
Salaries	34,784	3,186	4,755	42,725
Fringe benefits	5,902	737	1,166	7,805
Professional fees	1,030	1,412	2,095	4,537
Office supplies	56	5,644	4,986	10,686
Communication costs	-	7,459	7,023	14,482
Maintenance	155	3,811	23,718	27,684
Building rent	12,000	1,064	994	14,058
Training	-	5,365	905	6,270
Business meetings	180	253	4,424	4,857
Insurance	-	4,196	3,085	7,281
Forfeiture outlay	25	-	-	25
Manpower reimbursement	-	-	13,741	13,741
Miscellaneous	261	14,243	3,073	17,577
Capital outlay	4,901	9,066	22,184	36,151
Total expenditures	59,294	56,436	92,149	207,879
Net Change in Fund Balances	(712)	7,414	8,805	15,507
Fund Balances - Beginning of year	53,571	33,221	129,768	216,560
Fund Balances - End of year	<u>\$ 52,859</u>	<u>\$ 40,635</u>	<u>\$ 138,573</u>	<u>\$ 232,067</u>