

**EMERGENCY TELEPHONE SYSTEM  
BOARD OF DUPAGE COUNTY**

A Component Unit of DuPage County, Illinois

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended November 30, 2016

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Chairman and Members of the Board  
Emergency Telephone System Board of DuPage County  
DuPage County, Illinois  
Wheaton, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Emergency Telephone System Board of DuPage County, a component unit of the DuPage County as of and for the year ended November 30, 2016, and the related notes to the financial statements, which collectively comprise the Emergency Telephone System Board of DuPage County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Honorable Chairman and Members of the Board  
Emergency Telephone System Board of DuPage County  
DuPage County, Illinois

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Emergency Telephone System Board of DuPage County as of November 30, 2016 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note I, the financial statements present only the Emergency Telephone System Board of DuPage County and do not purport to, and do not present fairly the financial position of DuPage County, Illinois, as of November 30, 2016, and the changes in its financial position and, where applicable, its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2017 on our consideration of the Emergency Telephone System Board of DuPage County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Emergency Telephone System Board of DuPage County's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Oak Brook, Illinois  
May 26, 2017

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

As of and for the Year Ended November 30, 2016

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The Emergency Telephone System Board of DuPage County (hereinafter referred to as “the Board”) was established pursuant to a referendum passed on April 4, 1989. The Board serves the residents of both DuPage County and those DuPage County municipalities that include territory in Cook, Kane, and Will Counties, with the exception of the municipalities (City of Aurora and City of Naperville) that have established their own emergency telephone system boards. The DuPage ETSB Emergency 9-1-1 system is funded by a state-wide 9-1-1 surcharge for both wireline and wireless devices, which restricts the use of funds.

Prior to this change in legislation, the wireline surcharge was determined by local referendum. The participating voters of DuPage County and associated portions of Cook, Kane, and Will Counties approved a fifty (\$0.50) cent surcharge per wireline telephone network connection for the implementation of an Enhanced 9-1-1 system. This amount was the lowest within the State, with surcharges ranging from \$0.50 to \$5.00. 3 cents of the surcharge was withheld for administration by the Competitive Local Exchange Carrier (“CLEC” or “Carrier”) and 15 cents was earmarked for selective routing services.

Separate legislation governed wireless use. The Illinois General Assembly enacted a Wireless 9-1-1 Surcharge in the amount of seventy-five (\$0.75) cents per wireless network connection. The surcharge was remitted by the wireless carriers to the State of Illinois. The Illinois Comptroller, based on zip codes, disbursed this surcharge to the Board.

Effective January 1, 2016, the State of Illinois under P.A. 99-6 eliminated local wireline and wireless surcharges in favor a state-wide equalized surcharge of eighty-seven (\$0.87) cents in response to declining wireline revenue. P.A. 99-6 included a complete re-write of the 9-1-1 statutes to address revenue, consolidation of 9-1-1 services and Emergency Telephone System Boards across the state in preparation for a state-wide Next Generation 9-1-1 network.

Public Act 99-6 also mandated the consolidation of PSAPs. The impact on the DuPage ETSB is to reduce its PSAPs to four or less by July 2017. Since 2009, the Board has facilitated consolidation of its 9-1-1 services by reducing the number of PSAPs from nineteen (19) to eight (8). More recent efforts will reduce to three (3) to meet the consolidation mandate: Downers Grove PSAP (May 2017), Glendale Heights PSAP (June 2016), Itasca PSAP (August 2016), Pleasant View PSAP (September 2016), Tri-State Fire PSAP (September 2016). This has resulted in a cost savings to DuPage municipalities of approximately \$7 million dollars annually in personnel costs and approximately \$3 million dollars in capital replacement costs.

DuPage ETSB is the lead agency for the DuPage Justice Information System (DuJIS) county-wide project. Contracts totaling approximately \$13.4 million include replacement of the Computer-Aided Dispatch (CAD) and Law Enforcement Report Management System (RMS). DuPage ETSB will front the cost of the capital purchase, and a portion of the costs will be reimbursed by participating agencies.

This MD&A is a required supplementary element of Governmental Accounting Standards Board (GASB) Statement No. 34. The purpose is to provide an overview of the financial activities of the Board on currently known facts, decisions, or conditions.

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

As of and for the Year Ended November 30, 2016

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### FINANCIAL HIGHLIGHTS

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- The Board's assets/deferred outflows of resources exceed its liabilities/deferred inflows of resources by \$43,633,374 as of November 30, 2016.
- Capital assets of \$14,933,978, (net of accumulated depreciation), include 9-1-1 telephone customer premise equipment (CPE) for the Public Safety Answering Points (PSAPs), one computer aided dispatch (CAD) system running on two platforms, the current DuPage Emergency Dispatch Interoperable Radio Backup System (DEDIRS), and a records management system (RMS).
- Restricted net position of \$28,699,396 is available to maintain the continuing operations of the Board.
- As a result of the current year operations, net position totals \$43,633,374, which is a decrease of \$681,232 from the previous year.

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### OVERVIEW OF THE FINANCIAL STATEMENTS

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Government-wide and fund financial statements are presented in a combined format in the basic financial statements.

The government-wide financial statements focus on the Board as a whole. This presentation is designed to provide readers with a broad overview of the Board's finances in a manner similar to private-sector business. They consist of a Statement of Net Position and a Statement of Activities. These financial statements are prepared using the accrual basis of accounting, which is described in the Notes to the Financial Statements.

The Statement of Net Position and Governmental Funds Balance Sheet presents information on the Board's assets and liabilities arising from cash and other transactions, with the difference between the two reported as net position/fund balances. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances/Net Position presents information showing how the Board's net assets/fund balances changed during the most recent fiscal year. All changes in net position are reported when the underlying event occurs, regardless of the timing of related cash flows.

#### ***FUND FINANCIAL STATEMENTS***

*Governmental Funds* – Fund financial statements provide additional detail about Board funds. These financial statements are prepared using the modified accrual basis of accounting, which is described in the Notes to the Financial Statements. The General, Special Revenue, and Equalization Funds are classified as governmental funds. Governmental funds generally focus on near-term financial resources and fund balances. Such information may be useful in evaluating financial requirements in the near term.

*Notes to Financial Statements* – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

As of and for the Year Ended November 30, 2016

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### FINANCIAL ANALYSIS OF THE EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY AS A WHOLE

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Total Governmental Fund Balances of \$27,608,164 include \$847,189 classified as non-spendable for prepaid items and \$26,760,975 as restricted November 30, 2016.

The Statement of Net Position and Statement of Activities on pages 1 and 2 are presented on the accrual basis of accounting. All costs are presented including depreciation, which is shown as an adjustment. The table on page vii summarizes the changes in the Board's total fund balance and net position for the fiscal years ending November 30, 2016 and 2015.

*Capital Assets* – During fiscal 2016, net capital assets decreased by \$1,311,859. This decrease is due to the combined effect of the current year depreciation expense of \$2,769,365, current year additions of \$1,469,147, and the net book value of the asset deletions of \$11,641. Included in the additions is Construction in Progress totaling \$1,439,498 related to the DuJIS project. See Note III.C for further capital asset information.

*Revenue* – The Board receives the majority of its operating revenue from the equalization, wireline, and wireless telephone surcharges imposed on subscribers' bills and the interest accrued on the surcharge. Charges for services and interest from wireless services are reported in the Special Revenue and Equalization Funds.

*Expenditures* – Contractual Service is the largest expenditure category for the Board. This category included professional service contracts, 9-1-1 tariff paid to provide enhanced 9-1-1 service for all wireline and wireless customers; and the cost of all telephone and network connections associated with the operation and maintenance of these systems.

*Variations between Original and Final Budgets* – Actual amounts for revenue and expenditures were within the budget as approved by the Board or within anticipated expectations of management for the fiscal year ending November 30, 2016, along with various budget adjustments made during the fiscal year. Budgetary comparisons can be found on pages 19-21 of the report.

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED  
As of and for the Year Ended November 30, 2016

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## FINANCIAL ANALYSIS OF THE EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY AS A WHOLE (cont.)

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### *SUMMARY OF NET POSITION*

#### Governmental Funds Balance Sheet and Statement of Net Position November 30, 2016 and 2015

	Governmental Funds Total	Adjustments	Statement of Net Position	
			2016	2015
Assets				
Current assets	\$ 29,415,940	\$ --	\$ 29,415,940	\$ 28,941,100
Capital assets, net of accumulated depreciation	-	14,933,978	14,933,978	16,245,837
Total Assets	<u>29,415,940</u>	<u>14,933,978</u>	<u>44,349,918</u>	<u>45,186,937</u>
Deferred outflows of resources	-	168,123	168,123	96,749
Total Assets and Deferred Outflows of Resources	<u>\$ 29,415,940</u>	<u>\$ 15,102,101</u>	<u>\$ 44,518,041</u>	<u>\$ 45,283,686</u>
Liabilities				
Current liabilities	\$ 613,389	\$ --	\$ 613,389	\$ 802,758
Noncurrent liabilities	-	271,278	271,278	166,322
Total Liabilities	<u>613,389</u>	<u>271,278</u>	<u>884,667</u>	<u>969,080</u>
Deferred inflows of resources	<u>1,194,387</u>	<u>(1,194,387)</u>	-	-
Fund balances/Net Position				
Nonspendable	847,189	(847,189)	-	-
Restricted	26,760,975	1,938,421	28,699,396	28,068,769
Investment in capital assets	-	14,933,978	14,933,978	16,245,837
Total Fund Balances/Net Position	<u>27,608,164</u>	<u>16,025,210</u>	<u>43,633,374</u>	<u>44,314,606</u>
Total Liabilities, Deferred Inflows and Fund Balances/Net Position	<u>\$ 29,415,940</u>	<u>\$ 15,102,101</u>	<u>\$ 44,518,041</u>	<u>\$ 45,283,686</u>



# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED  
As of and for the Year Ended November 30, 2016

## FINANCIAL ANALYSIS OF THE EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY AS A WHOLE (cont.)

### SUMMARY OF CHANGES IN NET POSITION

#### Overview of the Statement of Activities For the Years Ended November 30, 2016 and 2015

	2016		2015	
	Governmental Funds	% of Revenues	Governmental Funds	% of Revenues
Revenues				
Charges for services	\$ 8,520,236	97.4	\$ 7,667,706	97.0
Investment income	83,056	1.0	9,242	0.1
Miscellaneous	143,894	1.6	229,673	2.9
Total Revenues	<u>8,747,186</u>	<u>100.0</u>	<u>7,906,621</u>	<u>100.0</u>
Expenditures				
Current				
Public safety	5,881,983	67.3	4,652,287	58.8
Capital outlay	1,806,561	20.6	852,787	10.8
Total Expenditures	<u>7,688,544</u>	<u>87.9</u>	<u>5,505,074</u>	<u>69.6</u>
Change in Fund Balance	1,058,642	12.1	2,401,547	30.4
Adjustments*				
Depreciation	(2,769,365)		(2,767,067)	
Adjustment for charges for services	(394,433)		406,119	
Adjustment for capitalized and retired assets	1,457,506		46,702	
Adjustment for compensated absences	766		(30,289)	
Adjustment for pensions	<u>(34,348)</u>		<u>(15,294)</u>	
Change in Net Position	<u>\$ (681,232)</u>		<u>\$ 102,296</u>	

\* Governmental funds report purchases of assets as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Further, the depreciated value of capital assets transferred to other governments is reported as a cost upon the transfer. Accrued compensated absences and pensions do not require the use of current assets and, therefore, are not reported in the governmental funds.

# **EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED  
As of and for the Year Ended November 30, 2016

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## **FINANCIAL ANALYSIS OF THE EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY AS A WHOLE (cont.)**

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### ***BUDGET, ECONOMIC IMPACT, AND FUTURE OUTLOOK***

The DuPage ETSB primarily operates on wireline and wireless surcharge revenues and began collecting equalized 9-1-1 surcharge in a separate fund. DuPage ETSB is affected by changes in telecommunications technology and the current economic conditions.

It is anticipated that the Board will recognize cost savings with the replacement of major systems in future fiscal years due to the consolidation of PSAPs. Immediate cost savings are not significant due to the cost to decommission equipment, penalties for cancellation of existing contracts, and costs to migrate agencies to other PSAPs. Some operating costs have been reduced as the State now pays the 9-1-1 trunking tariff of approximately \$878,000 annually. Additional reductions include the elimination of 15 ancillary telephone contracts with the closing of PSAPs through consolidation.

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## **CONTACTING THE EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY'S ADMINISTRATION**

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This financial report is designed to provide a general overview of the Board finances, comply with finance-related laws and regulations, and demonstrate the Board's commitment to public accountability. Questions about this report or the request for additional information should be sent to:

Emergency Telephone System Board of DuPage County  
421 N. County Farm Road  
Wheaton, Illinois 60187

**EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY**

STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
As of November 30, 2016

	Governmental Funds				Governmental Activities	
	General Fund	Special Revenue Fund	Equalization Fund	Total	Adjustments (Note II.A.)	Statement of Net Position
<b>Assets</b>						
Cash and investments	\$ 1,775,306	\$ 18,781,622	\$ 4,356,025	\$ 24,912,953	\$ -	\$ 24,912,953
Accounts receivable	17,631	-	-	17,631	-	17,631
Due from federal, state and other governmental units	7,330	672,323	2,958,514	3,638,167	-	3,638,167
Prepaid items	61,982	785,207	-	847,189	-	847,189
Capital assets not being depreciated	-	-	-	-	1,439,498	1,439,498
Capital assets being depreciated, net of accumulated depreciation	-	-	-	-	13,494,480	13,494,480
<b>Total Assets</b>	<b>1,862,249</b>	<b>20,239,152</b>	<b>7,314,539</b>	<b>29,415,940</b>	<b>14,933,978</b>	<b>44,349,918</b>
<b>Deferred Outflows of Resources</b>						
Deferred outflows related to pensions	-	-	-	-	168,123	168,123
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,862,249</b>	<b>\$ 20,239,152</b>	<b>\$ 7,314,539</b>	<b>\$ 29,415,940</b>	<b>\$ 15,102,101</b>	<b>\$ 44,518,041</b>
<b>Liabilities</b>						
Accounts payable	\$ 55,564	\$ 417,025	\$ -	\$ 472,589	\$ -	\$ 472,589
Accrued payroll	17,838	-	-	17,838	-	17,838
Due to DuPage County	5,747	-	-	5,747	-	5,747
Other liabilities	5,245	-	-	5,245	-	5,245
Due to federal, state and other governmental units	76,970	35,000	-	111,970	-	111,970
Long-term liabilities, due within one year:						
Compensated absences	-	-	-	-	3,940	3,940
Long-term liabilities, due in more than one year:						
Compensated absences	-	-	-	-	8,490	8,490
Net pension liability	-	-	-	-	258,848	258,848
<b>Total Liabilities</b>	<b>161,364</b>	<b>452,025</b>	<b>-</b>	<b>613,389</b>	<b>271,278</b>	<b>884,667</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue	-	-	1,194,387	1,194,387	(1,194,387)	-
<b>Fund Balance/Net Position</b>						
Fund Balance						
Nonspendable for prepaids	61,982	785,207	-	847,189	(847,189)	-
Restricted in accordance with state statutes and enabling legislation	1,638,903	19,001,920	6,120,152	26,760,975	1,938,421	28,699,396
Investment in capital assets	-	-	-	-	14,933,978	14,933,978
<b>Total Fund Balance/Net Position</b>	<b>1,700,885</b>	<b>19,787,127</b>	<b>6,120,152</b>	<b>27,608,164</b>	<b>16,025,210</b>	<b>43,633,374</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</b>	<b>\$ 1,862,249</b>	<b>\$ 20,239,152</b>	<b>\$ 7,314,539</b>	<b>\$ 29,415,940</b>	<b>\$ 15,102,101</b>	<b>\$ 44,518,041</b>

See accompanying notes to financial statements.

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/NET POSITION For the Year Ended November 30, 2016

	Governmental Funds				Governmental Activities	
	General Fund	Special Revenue Fund	Equalization Fund	Total	Adjustments (Note II.B.)	Statement of Activities
<b>Revenues</b>						
Charges for services	\$ 194,259	\$ 2,208,735	\$ 6,117,242	\$ 8,520,236	\$ (394,433)	\$ 8,125,803
Investment income	44,211	35,935	2,910	83,056	-	83,056
Miscellaneous	124,647	19,247	-	143,894	-	143,894
Total Revenues	<u>363,117</u>	<u>2,263,917</u>	<u>6,120,152</u>	<u>8,747,186</u>	<u>(394,433)</u>	<u>8,352,753</u>
<b>Expenditures/Expenses</b>						
Current						
Public safety	2,241,029	3,640,955	-	5,881,984	382,637	6,264,621
Capital outlay	34,165	1,772,395	-	1,806,560	(1,806,561)	(1)
Depreciation	-	-	-	-	2,769,365	2,769,365
Total Expenditures/Expenses	<u>2,275,194</u>	<u>5,413,350</u>	<u>-</u>	<u>7,688,544</u>	<u>1,345,441</u>	<u>9,033,985</u>
<b>Net Change in Fund Balance/Net Position</b>	(1,912,077)	(3,149,433)	6,120,152	1,058,642	(1,739,874)	(681,232)
Fund Balance/Net Position - Beginning of Year	<u>3,612,962</u>	<u>22,936,560</u>	<u>-</u>	<u>26,549,522</u>	<u>17,765,084</u>	<u>44,314,606</u>
Fund Balance/Net Position - End of Year	<u>\$ 1,700,885</u>	<u>\$ 19,787,127</u>	<u>\$ 6,120,152</u>	<u>\$ 27,608,164</u>	<u>\$ 16,025,210</u>	<u>\$ 43,633,374</u>

See accompanying notes to financial statements.

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the Emergency Telephone System Board of DuPage County (the "Board") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

#### **A. REPORTING ENTITY**

The Board was formed on April 4, 1989 for the purpose of the implementation, operation, upgrade, and maintenance of a 9-1-1 emergency telephone system for the DuPage County 9-1-1 service area. There are 10 Board Members, representing 6 different public agencies, all of whom are representatives of the Public Safety Agency 9-1-1 Systems Users. The Board was established in accordance with the Emergency Telephone System Act of the State of Illinois.

The Board is reported as a component unit of DuPage County, Illinois (the County) in the County's comprehensive annual financial report, since the County is financially accountable for the Board.

The Board is funded by monthly surcharges imposed on billed subscribers of network connections provided by telecommunications and wireless carriers.

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

In February 2015, the GASB issued statement No. 72 - Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented December 1, 2015.

#### ***Government-Wide Financial Statements***

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through charges for services and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Board does not allocate indirect expenses to functions in the statement of activities. 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. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

#### ***Fund Financial Statements***

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures.

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)**

##### ***Fund Financial Statements (cont.)***

The Board reports the following funds, which are all major governmental funds:

General Fund - accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund - accounts for the Emergency Telephone System Board wireless surcharge fees. The fees are remitted to the State of Illinois by the wireless companies. The State then distributes the fees to the appropriate emergency telephone system board. The resources are used to acquire equipment for wireless emergency phone service.

Equalization Fund – this special revenue fund accounts for the Emergency Telephone System Board equalization surcharge fees. The fees are remitted to the State of Illinois. The State then distributes the fees to the appropriate emergency telephone system board. The resources are used to acquire equipment for wireless and wireline emergency phone service.

#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

##### ***Government-Wide Financial Statements***

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Telephone surcharges and user fees are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

##### ***Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Intergovernmental aids and grants are recognized as revenues in the period the Board is entitled the resources and the amounts are available. Amounts owed to the Board which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)**

##### ***Fund Financial Statements (cont.)***

Revenues susceptible to accrual include public charges for services and interest. Other general revenues, such as miscellaneous revenues, are recognized when received in cash or when measurable and available under the criteria described above.

##### ***All Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### **D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY**

##### ***1. Deposits and Investments***

The Board follows the investment policy of DuPage County. The County's investment policy follows Illinois State Statutes which authorizes the County to invest in deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

The County's investment policy contains the following guidelines for allowable investments:

##### **Custodial Credit Risk - Deposits**

The County's investment policy requires some form of collateral to protect public deposits in a single financial institution if it were to default. All federally and non-federally insured institutions must fully collateralize deposits using instruments and collateral ratios of 105%.

##### **Custodial Credit Risk - Investments**

The County's investment policy requires all securities to be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts. Investments are normally held by financial institutions or brokers under Trust agreements arising from Bond ordinances, subject to the custodial agreements of the ordinances.

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

##### ***1. Deposits and Investments (cont.)***

###### **Credit Risk**

The investment policy allows the Treasurer to invest in any type of security allowed by Illinois Compiled Statutes. If the statutes are amended and one or more investments are no longer permissible, the investments will be allowed to mature or can be sold immediately at the Treasurer's discretion.

###### **Concentration of Credit Risk**

The County's investment policy requires diversification of the investment portfolio to eliminate the risk of loss resulting from over concentration in a specific issuer, maturity or class of securities. Concentration in short-term corporate obligations will not exceed 90% of the limit contained in Illinois law.

###### **Interest Rate Risk**

The investment policy is designed to obtain a market average rate of return, taking into account investment risk constraints and cash flow needs.

See Note III for further information.

##### ***2. Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

##### ***3. Capital Assets***

###### ***Government-Wide Statements***

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation and amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation and amortization reflected in the statement of net position. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method and a useful life of 3-10 years.

###### ***Fund Financial Statements***

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.



# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

##### ***4. Deferred Outflows of Resources***

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

##### ***5. Compensated Absences***

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation, sick leave pay and compensatory time is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

Payments for vacation, sick leave and retention will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at November 30, 2016, are determined on the basis of current salary rates and include salary related payments.

##### ***6. Deferred Inflows of Resources***

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

##### ***7. Equity Classifications***

Equity is classified as net position and displayed in three components:

- a. Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Position- All other net position that does not meet the definitions of "restricted" or "invested in capital assets."

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

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

##### ***7. Equity Classifications (cont.)***

##### ***Fund Statements***

Governmental fund equity is classified as fund balance and displayed as follows:

- a. Nonspendable - includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Board that originally created the commitment.
- d. Assigned - includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. Fund balance may be assigned by management or the Board for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned - includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

The Board considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Board would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

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### NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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#### **A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION**

The governmental fund balance sheet includes an adjustment between fund balance and net position. The details of this adjustment include the following items.

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Construction in progress	\$ 1,439,498
Equipment	39,467,575
Less: Accumulated depreciation	<u>(25,973,095)</u>
Combined Adjustment for Capital Assets	<u>\$ 14,933,978</u>
Deferred outflows of resources related to pensions are not recorded in the fund financial statements	<u>\$ 168,123</u>
Adjustment for compensated absences not recorded in the fund financial statements – due within one year	<u>\$ 3,940</u>
Adjustment for compensated absences not recorded in the fund financial statements – due after one year	<u>\$ 8,490</u>
Net pension liability is not recorded in the fund financial statements	<u>\$ 258,848</u>
Revenue as a deferred inflow of resources in the fund financial statements for unavailable receivables	<u>\$ 1,194,387</u>

#### **B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes an adjustment between net changes in fund balances changes in net position of governmental activities. The details of this difference are as follows:

Change in unavailable revenue	\$ (394,433)
Items capitalized are reported as operations expenditures in the general fund	1,469,147
Net pension liability and deferred outflows of resources related to pensions	(34,348)
Depreciation expense	(2,769,365)
Change in compensated absences	766
Net book value of assets retired	<u>(11,641)</u>
Total Adjustment to Arrive at the Change in Net Position of Governmental Activities	<u>\$ (1,739,874)</u>

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

### NOTE III – DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

The Board maintains cash and investments which are administered by DuPage County. The carrying value and associated risks are as follows:

	Carrying Value	Risk
Deposits with financial institutions	\$ 4,228,098	Custodial credit
Money market mutual funds	10,898,416	Credit risk, interest rate risk
US agency securities – explicitly implied	2,878,924	Custodial credit risk, interest rate risk
US treasury securities	3,004,649	Custodial credit risk, interest rate risk
Corporate bonds	3,902,866	Credit risk, custodial credit risk, concentration of credit risk, interest rate risk
Total deposits and investments	<u>\$ 24,912,953</u>	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposits.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of November 30, 2016, the US agency securities, US treasury securities, and corporate bonds investments were measured using the market valuation method and Level 2 valuation inputs and the money market mutual funds were measured using the market valuation method and Level 1 valuation inputs.

#### Custodial Credit Risk

The FDIC, collateral coverage and safekeeping receipts applies to all County accounts, and therefore, the amount of insured funds is not determinable for the Board alone.

#### Credit Risk

As of November 30, 2016, investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Corporate bonds	BBB+ to AA+	Baa1 to Aaa
Money market mutual funds	AAAm	Aaa-mf

## EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

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#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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##### A. DEPOSITS AND INVESTMENTS (CONT.)

###### Concentration of Credit Risk

As of November 30, 2016, the Board did not have any investments in any one issuer that represent 5 percent or more of total investments.

###### Interest Rate Risk

Investment Type	Fair Value	Maturity (In Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Money market mutual funds	\$ 10,898,416	\$ 10,898,416	\$ -	\$ -	\$ -
US agency securities – explicitly implied	2,878,924	-	1,130,992	1,298,654	449,278
US treasury securities	3,004,649	2,001,919	1,002,730	-	-
Corporate bonds	3,902,866	3,902,866	-	-	-
Total	<u>\$ 20,684,855</u>	<u>\$ 16,803,201</u>	<u>\$ 2,133,722</u>	<u>\$ 1,298,654</u>	<u>\$ 449,278</u>

##### B. RECEIVABLES

Accounts receivable are expected to be collected within one year.

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the Board reported unavailable revenue for unavailable telephone surcharge receivables.

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### C. CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Construction in Progress	-	1,439,498	-	1,439,498
Total Capital Assets Not Being Depreciated	-	1,439,498	-	1,439,498
Capital assets being depreciated				
Equipment	39,461,209	29,649	23,283	39,467,575
Total Capital Assets Being Depreciated	39,461,209	29,649	23,283	39,467,575
Total Capital Assets	39,461,209	1,469,147	23,283	40,907,073
Less: Accumulated depreciation for Equipment	23,215,372	2,769,365	11,642	25,973,095
Total Accumulated Depreciation	23,215,372	2,769,365	11,642	25,973,095
Total Capital Assets, Net of Accumulated Depreciation	\$ 16,245,837	\$ (1,300,218)	\$ 11,641	\$ 14,933,978

## EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

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#### NOTE IV – OTHER INFORMATION

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##### **A. RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The Board is self-insured, through DuPage County, for all of these risks. These activities are accounted for and financed by the County risk management fund and the health, life, and dental internal service fund. Refer to the County statements for additional details.

##### **B. COMMITMENTS AND CONTINGENCIES**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the Board is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Board's financial position or results of operations.

The Board has entered into the following Communication System Agreements:

	<u>Original Contract Date</u>	<u>Contract Amount</u>	<u>Less Payments</u>	<u>Amount Remaining</u>
Starcom Radio Enhancements	September 30, 2014	\$ 1,876,400	\$ 1,471,800	\$ 404,600
Priority Dispatch	July 1, 2014	<u>1,777,576</u>	<u>1,244,303</u>	<u>533,273</u>
Total		<u>\$ 3,653,976</u>	<u>\$ 2,716,103</u>	<u>\$ 937,873</u>

## EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

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#### NOTE IV – OTHER INFORMATION (cont.)

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##### **C. EMPLOYEES' RETIREMENT SYSTEM**

###### *Illinois Municipal Retirement Fund*

The County's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The County's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided below. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

The employees of the Board are pooled with the employees of DuPage County for purposes of actuarial valuation. As the Board is participating under the County's employer number, IMRF is considered to be a cost-sharing plan for the Board.

*Plan description.* IMRF has a two tier plan. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of 3% of the original pension amount or 1/2 of the increase in the Consumer Price Index of the original pension amount.

Under the employer number within Regular IMRF, both the County and ETSB contribute to the plan. The Regular IMRF plan is considered to be an agent multiple-employer plan through which cost-sharing occurs between the County and ETSB.



## EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

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#### NOTE IV – OTHER INFORMATION (cont.)

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##### **C. EMPLOYEES' RETIREMENT SYSTEM (cont.)**

*Contributions.* As set by statute, Board employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The statute requires the Board to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Board's actuarially determined contribution rate for calendar year 2015 was 11.3% percent of annual covered payroll. The Board also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Fiduciary Net Position.* Detailed information about the IMRF fiduciary net position as of December 31, 2015 is available in the separately issued DuPage County Comprehensive Annual Financial Report as of and for the year ended December 31, 2015.

*Net pension liability/(asset).* The net pension liabilities/(assets) were measured as of December 31, 2015, and the total pension liabilities used to calculate the net pension liabilities/(assets) were determined by an actuarial valuation as of that date.

Board's proportionate share of the collective net pension liability	\$	258,848
County's proportionate share of the collective net pension liability		<u>118,034,165</u>
Total	\$	<u>118,293,013</u>

The net pension liability was measured as of December 31, 2015. The Board's proportion of the net pension liability was based on the Board's share of contributions to IMRF for the fiscal year ended November 30, 2016, relative to the total contributions of the Board and County during that period. At November 30, 2016, the Board's proportion was 0.2188%. The Board's proportion at November 30, 2015 was 0.2100%.

*Summary of significant accounting policies.* For purposes of measuring the collective net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of IMRF and additions to/deductions from IMRF fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

### NOTE IV – OTHER INFORMATION (cont.)

#### C. EMPLOYEES' RETIREMENT SYSTEM (cont.)

*Actuarial Assumptions.* The assumptions used to measure the total pension liability in the December 31, 2015 annual actuarial valuation included a 7.47% investment rate of return, (b) projected salary increases from 3.75% to 14.50%, including inflation, and (c) inflation of 3.50% and price inflation of 2.75%. The retirement age is based on experience-based table of rates that are specific to the type of eligibility condition. The tables were last updated for the 2015 valuation pursuant to an experience study of the period 2012-2014.

*Mortality.* For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

*Long-term expected real rate of return.* The long-term expected rate of return on pension plan investments was determined using an asset allocation study in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce long-term expected rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Projected Returns/Risks	
		One Year Arithmetic	Ten Year Geometric
Equities	38.00%	8.85%	7.39%
International equities	17.00%	9.55%	7.59%
Fixed income	27.00%	3.05%	3.00%
Real estate	8.00%	7.20%	6.00%
Alternatives	9.00%		
Private equity		13.15%	8.15%
Hedge funds		5.55%	5.25%
Commodities		4.40%	2.75%
Cash equivalents	1.00%	2.25%	2.25%

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

### NOTE IV – OTHER INFORMATION (cont.)

#### C. EMPLOYEES' RETIREMENT SYSTEM (cont.)

*Discount rate.* The discount rate used to measure the total collective pension liability for IMRF was 7.47%. The discount rate calculated using the December 31, 2014 measurement date was 7.49%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Board's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments of 7.50% was blended with the index rate of 3.57% for tax exempt 20-year general obligation municipal bonds with an average AA credit rating at December 31, 2015 to arrive at a discount rate of 7.47% used to determine the total pension liability. The year ending December 31, 2084 is the last year in the 2016 to 2115 projection period for which projected benefit payments are fully funded.

*Discount rate sensitivity.* The following is a sensitivity analysis of the Board's proportionate share of the net pension liability / (asset) to changes in the discount rate. The table below presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.47% as well as what the Board's proportionate share of the net pension liability / (asset) would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.47%) or 1 percentage point higher (8.47%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Board's proportionate share of the collective net pension liability	\$ 473,975	\$ 258,848	\$ 83,459

*Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.* For the year ended November 30, 2016, the Board recognized pension expense of \$67,425. The Board reported deferred outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 6,242
Changes in assumptions	32,648
Net difference between projected and actual earnings on pension plan investments	97,647
Contributions subsequent to the measurement date	31,586
Total	<u>\$ 168,123</u>

## EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2016

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#### NOTE IV – OTHER INFORMATION (cont.)

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##### **C. EMPLOYEES' RETIREMENT SYSTEM** (cont.)

The amount reported as deferred outflows resulting from contributions subsequent to the measurement date in the above table will be recognized as a reduction in the net pension liabilities/(assets) for the year ending November 30, 2017. The remaining amounts reported as deferred outflows and inflows of resources related to pensions (\$136,537) will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2016	\$ 54,650
2017	34,555
2018	26,002
2019	<u>21,330</u>
Total	<u>\$ 136,537</u>

## REQUIRED SUPPLEMENTARY INFORMATION

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended November 30, 2016

With Comparative Actual Amounts For The Year Ended November 30, 2015

	2016				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2015
<b>Revenues</b>					
Charges for services	\$ 764,607	\$ 764,607	\$ 194,259	\$ (570,348)	\$ 2,272,967
Investment income	-	-	44,211	44,211	1,470
Miscellaneous	125,000	125,000	124,647	(353)	108,065
Total Revenues	<u>889,607</u>	<u>889,607</u>	<u>363,117</u>	<u>(526,490)</u>	<u>2,382,502</u>
<b>Expenditures</b>					
Public Safety					
Personnel Services					
Salaries	617,399	617,399	416,133	201,266	350,528
Benefits	221,980	221,980	137,869	84,111	116,949
Total Personnel Services	<u>839,379</u>	<u>839,379</u>	<u>554,002</u>	<u>285,377</u>	<u>467,477</u>
Commodities					
Equipment	59,000	59,000	40,154	18,846	16,514
Other commodities	5,000	5,000	2,098	2,902	2,075
Total Commodities	<u>64,000</u>	<u>64,000</u>	<u>42,252</u>	<u>21,748</u>	<u>18,589</u>
Contractual Services					
Professional services	26,500	30,400	21,196	9,204	20,700
Insurance	120,000	120,000	97,316	22,684	98,030
Utilities	536,849	536,849	173,040	363,809	877,632
Repairs and maintenance	1,102,386	1,102,386	987,717	114,669	925,603
Rentals	2,001	53,601	53,187	414	1,913
Travel expenditure	25,500	25,500	19,528	5,972	16,337
Training and education	115,470	115,470	31,030	84,440	11,530
Other contractual services	497,435	441,935	261,761	180,174	252,628
Total Contractual Services	<u>2,426,141</u>	<u>2,426,141</u>	<u>1,644,775</u>	<u>781,366</u>	<u>2,204,373</u>
Capital Outlay					
Capital outlay	80,000	80,000	34,165	45,835	22,466
Total Capital Outlay	<u>80,000</u>	<u>80,000</u>	<u>34,165</u>	<u>45,835</u>	<u>22,466</u>
Total Public Safety	<u>3,409,520</u>	<u>3,409,520</u>	<u>2,275,194</u>	<u>1,134,326</u>	<u>2,712,905</u>
Total Expenditures	<u>3,409,520</u>	<u>3,409,520</u>	<u>2,275,194</u>	<u>1,134,326</u>	<u>2,712,905</u>
Net Change in Fund Balance	(2,519,913)	(2,519,913)	(1,912,077)	607,836	(330,403)
Fund Balance - Beginning of Year	<u>3,612,962</u>	<u>3,612,962</u>	<u>3,612,962</u>	-	<u>3,943,365</u>
Fund Balance - End of Year	<u>\$ 1,093,049</u>	<u>\$ 1,093,049</u>	<u>\$ 1,700,885</u>	<u>\$ 607,836</u>	<u>\$ 3,612,962</u>

See independent auditors' report and accompanying notes to required supplementary information.

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND For the Year Ended November 30, 2016 With Compative Actual Amounts For The Year Ended November 30, 2015

	2016				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2015
<b>Revenues</b>					
Charges for services	\$ 1,950,201	\$ 1,950,201	\$ 2,208,735	\$ 258,534	\$ 5,394,739
Investment income	-	-	35,935	35,935	7,772
Miscellaneous	<u>1,566,693</u>	<u>1,566,693</u>	<u>19,247</u>	<u>(1,547,446)</u>	<u>121,608</u>
Total Revenues	<u>3,516,894</u>	<u>3,516,894</u>	<u>2,263,917</u>	<u>(1,252,977)</u>	<u>5,524,119</u>
<b>Expenditures</b>					
Public Safety					
Commodities					
Other commodities	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>288</u>
Total Commodities	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>288</u>
Contractual Services					
Professional services	705,000	705,000	294,709	410,291	127,974
Utilities	902,715	902,715	389,894	512,821	370,786
Repairs and maintenance	1,155,899	1,182,230	916,316	265,914	732,021
Other contractual services	<u>11,580,693</u>	<u>8,623,811</u>	<u>2,040,036</u>	<u>6,583,775</u>	<u>730,779</u>
Total Contractual Services	<u>14,344,307</u>	<u>11,413,756</u>	<u>3,640,955</u>	<u>7,772,801</u>	<u>1,961,560</u>
Capital Outlay					
Capital outlay	<u>2,655,000</u>	<u>5,585,551</u>	<u>1,772,395</u>	<u>3,813,156</u>	<u>830,321</u>
Total Capital Outlay	<u>2,655,000</u>	<u>5,585,551</u>	<u>1,772,395</u>	<u>3,813,156</u>	<u>830,321</u>
Total Public Safety	<u>17,004,307</u>	<u>17,004,307</u>	<u>5,413,350</u>	<u>11,590,957</u>	<u>2,792,169</u>
Total Expenditures	<u>17,004,307</u>	<u>17,004,307</u>	<u>5,413,350</u>	<u>11,590,957</u>	<u>2,792,169</u>
<b>Net Change in Fund Balance</b>	(13,487,413)	(13,487,413)	(3,149,433)	10,337,980	2,731,950
Fund Balance - Beginning of Year	<u>22,936,560</u>	<u>22,936,560</u>	<u>22,936,560</u>	<u>-</u>	<u>20,204,610</u>
Fund Balance - End of Year	<u>\$ 9,449,147</u>	<u>\$ 9,449,147</u>	<u>\$ 19,787,127</u>	<u>\$ 10,337,980</u>	<u>\$ 22,936,560</u>

## EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - EQUALIZATION FUND  
For the Year Ended November 30, 2016

	2016			Variance with Final Budget
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 6,117,242	\$ 6,117,242
Investment income	-	-	2,910	2,910
Total Revenues	-	-	6,120,152	6,120,152
 Total Expenditures	-	-	-	-
 <b>Net Change in Fund Balance</b>	-	-	6,120,152	6,120,152
 Fund Balance - Beginning of Year	-	-	-	-
 Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,120,152</u>	<u>\$ 6,120,152</u>



# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## ILLINOIS MUNICIPAL RETIREMENT FUND SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY AND BOARD CONTRIBUTIONS Most Recent Two Fiscal Years

	<u>2016</u>	<u>2015</u>
Board's proportion of the net pension liability	0.2188%	0.2100%
Board's proportionate share of the net pension liability	\$ 258,848	\$ 153,126
County's proportionate share of the net pension liability	<u>118,034,165</u>	<u>72,765,408</u>
Total net pension liability	<u>\$ 118,293,013</u>	<u>\$ 72,918,534</u>
Covered-employee payroll	\$ 266,257	\$ 262,727
Board's proportionate share of the net pension liability as a percentage of covered payroll	97.22%	58.28%
Plan fiduciary net position as a percentage of the total pension liability	84.92%	90.58%
Contractually required contribution	\$ 31,365	\$ 30,503
Contributions in relation to the contractually required contribution	<u>(30,087)</u>	<u>(30,506)</u>
Contribution deficiency (excess)	<u>\$ 1,278</u>	<u>\$ (3)</u>
Contributions as a percentage of covered employee payroll	11.30%	11.61%

Note: The Board implemented GASB 68 in 2015. Information for fiscal years prior to 2015 is not applicable.

**Notes to Schedule:**

Contractually required contribution amounts reported in 2016 reflect an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent, and a salary increase assumption of 4.4 percent to 16.0 percent including inflation.

# EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

As of and for the Year Ended November 30, 2016

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### ***BUDGETARY INFORMATION***

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting as described in Note I.C.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the detail level of expenditure.

See independent auditors' report.