

**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, 2017

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, 2017, 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.

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, 2017 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, 2017, 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 24, 2018 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 24, 2018

EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

As of and for the Year Ended November 30, 2017

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 Emergency Telephone System Board of DuPage County (DuPage ETSB or Board) on currently known facts, decisions, or conditions.

The DuPage ETSB was formed on April 4, 1989 to implement, operate, upgrade, and maintain a 9-1-1 emergency telephone system for the DuPage County 9-1-1 service area. The Board serves residents of both DuPage County, and those DuPage County municipalities that include territory in Cook, Kane, and Will Counties, except for the City of Aurora and the City of Naperville, which have established their own emergency telephone system boards.

The Board is reported as a component unit of DuPage County, Illinois (County) in the County's Comprehensive Annual Financial Report, as the County is financially accountable for the Board.

Effective January 1, 2016, the State of Illinois, under Public Act (P.A.) 99-6, eliminated local wireline and wireless surcharges, in favor of a state-wide equalized surcharge of \$0.87. This change was in response to declining wireline revenue. P.A. 99-6 included a rewrite of the 9-1-1 statutes that addressed 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 (NG9-1-1) network.

P.A. 99-6 also mandated consolidation of the Public Safety Answering Points (PSAPs). The mandate's impact on the DuPage ETSB was that it had to reduce its number of PSAPs to four or less by July 2017. Since 2009, the Board has consolidated its 9-1-1 services, reducing its PSAPs from 19 to 3. Because of the consolidation, the DuPage municipalities have reduced annual personnel costs by approximately \$7.0 million, and have saved approximately \$3.0 million in capital replacement costs.

In 2017, P.A. 100-020 was passed which continued the consolidation mandates begun under P.A. 99-6 and increased the surcharge from \$0.87 to \$1.50 beginning January 1, 2018; however, due to the state delays in paying the surcharge, the Board will not begin receiving the new surcharge rate until May 2018. The \$1.50 surcharge rate is due to sunset July 1, 2020.

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 report management system (RMS). DuPage ETSB will fund the capital purchase, and the participating agencies will reimburse DuPage ETSB for a portion of the costs.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2017

- The Board's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$36.8 million at November 30, 2017.
- Capital assets of \$14.1 million (net of accumulated depreciation), included 9-1-1 telephone customer premise equipment (CPE) for the PSAPs; CAD system, running on two platforms; RMS; and DuPage Emergency Dispatch Interoperable Radio System (DEDIRS).
- DuPage ETSB contributed \$4.0 million of capital for construction, maintenance, and leasing of the PSAP facility for the DuPage Public Safety Communications (DU-COMM) project.

EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED As of and for the Year Ended November 30, 2017

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2017 (cont.)

- Restricted net position of \$22.8 million was available at November 30, 2017 to maintain the operations of the Board in accordance with state statutes and enabling legislation.
- Net position decreased \$6.8 million during fiscal year 2017 to \$36.8 million. This decrease was primarily due to higher contractual services expenditures.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements focus on the Board (as a whole), and are designed to provide the reader with a broad overview of the Board's finances, in a manner like private-sector businesses. The government-wide financial statements include the *Statement of Net Position* and the *Statement of Activities* and include all funds of the reporting entity using the accrual basis of accounting, which is described in Note I C to the Financial Statements.

The *Statement of Net Position and Governmental Funds Balance Sheet* presents information on all Board assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position, over time, may serve as a useful indicator for determining the improvement or deterioration of the Board's financial position. Non-financial factors, such as government rules and regulations, and the condition of the Board's capital assets, should also be considered in the assessment of the Board's overall financial health.

The *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances/Net Position* presents information on how the Board's net position changed during the current fiscal year. All changes in net position are reported at the time the underlying event occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported for some transactions that will only result in cash flows in future years.

Fund Financial Statements

Governmental Funds – Governmental Fund financial statements provide additional detail about Board funds using the modified accrual basis of accounting, which is described in Note I C to the Financial Statements. The General Fund, Special Revenue Fund, and Equalization Fund are major governmental funds. These statements focus on (1) how cash and other financial assets can be readily converted into available resources and (2) balances at year-end that are available for spending. Such information may be useful for determining what financial resources are available to finance the Board's short-term needs.

Notes to Financial Statements

The notes to the basic financial statements provide additional information that is important to fully understand the data provided in the government-wide and 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, 2017

SUMMARY OF NET POSITION

Governmental Funds Balance Sheet and Statement of Net Position November 30, 2017 and 2016

	Governmental Funds Total	Adjustments	Statement of Net Position	
			2017	2016
Assets				
Current assets	\$ 23,744,986	\$ --	\$ 23,744,986	\$ 29,415,940
Capital assets, net of accumulated depreciation	-	14,092,154	14,092,154	14,933,978
Total Assets	<u>23,744,986</u>	<u>14,092,154</u>	<u>37,837,140</u>	<u>44,349,918</u>
Deferred outflows of resources	-	128,913	128,913	168,123
Total Assets and Deferred Outflows of Resources	<u>\$ 23,744,986</u>	<u>\$ 14,221,067</u>	<u>\$ 37,966,053</u>	<u>\$ 44,518,041</u>
Liabilities				
Current liabilities	\$ 823,888	\$ --	\$ 823,888	\$ 613,389
Noncurrent liabilities	-	294,353	294,353	271,278
Total Liabilities	<u>823,888</u>	<u>294,353</u>	<u>1,118,241</u>	<u>884,667</u>
Deferred inflows of resources	1,351,569	(1,347,195)	4,374	-
Fund balances/Net Position				
Nonspendable	359,811	(359,811)	-	-
Restricted	21,209,718	1,541,566	22,751,284	28,699,396
Investment in capital assets	-	14,092,154	14,092,154	14,933,978
Total Fund Balances/Net Position	<u>21,569,529</u>	<u>15,273,909</u>	<u>36,843,438</u>	<u>43,633,374</u>
Total Liabilities, Deferred Inflows and Fund Balances/Net Position	<u>\$ 23,744,986</u>	<u>\$ 14,221,067</u>	<u>\$ 37,966,053</u>	<u>\$ 44,518,041</u>

EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED As of and for the Year Ended November 30, 2017

SUMMARY OF CHANGES IN NET POSITION

Overview of the Statement of Activities For the Years Ended November 30, 2017 and 2016

	2017		2016	
	Governmental Funds	% of Revenues	Governmental Funds	% of Revenues
Revenues				
Charges for services	\$ 8,088,891	97.2	\$ 8,520,236	97.4
Investment income	126,134	1.5	83,056	1.0
Miscellaneous	111,151	1.3	143,894	1.6
Total Revenues	<u>8,326,266</u>	<u>100.0</u>	<u>8,747,186</u>	<u>100.0</u>
Expenditures				
Current				
Public safety	11,145,233	133.8	5,881,983	67.3
Capital outlay	3,219,668	38.7	1,806,561	20.6
Total Expenditures	<u>14,364,901</u>	<u>172.5</u>	<u>7,688,544</u>	<u>87.9</u>
Change in Fund Balance	(6,038,635)	(72.5)	1,058,642	12.1
Adjustments*				
Depreciation	(2,831,611)		(2,769,365)	
Adjustment for charges for services	157,182		(394,433)	
Adjustment for capitalized and retired assets	1,989,787		1,457,506	
Adjustment for compensated absences	(11,131)		766	
Adjustment for pensions	<u>(55,528)</u>		<u>(34,348)</u>	
Change in Net Position	<u><u>\$(751,301)</u></u>		<u><u>\$(681,232)</u></u>	

*Governmental funds report capital asset additions as expenditures, while governmental activities report depreciation expense, thereby, allocating the expenditures over the life of the capital assets. Additionally, capital assets transferred to other governmental units is reported at the capital asset's net value.

Accrued compensated absences and net pension liabilities are not reported in the governmental funds, as use of current resources are not required.

EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

As of and for the Year Ended November 30, 2017

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

Total *Governmental Funds* fund balance of \$21.6 million includes \$0.4 million classified as non-spendable for prepaids, and \$21.2 million is classified as restricted, in accordance with state statutes and enabling legislation at November 30, 2017.

The *Statement of Net Position and Statement of Activities* are presented to reflect all expenses, including depreciation, which is shown as an adjustment. The table on page vi. summarizes the changes in net position for fiscal years ending November 30, 2017 and 2016.

Capital Assets – During fiscal 2017, net capital assets decreased by \$0.8 million. This decrease is due to the combined effect of current year depreciation expense of \$2.8 million and current year net additions of \$2.0 million, which includes Construction in Progress of \$1.7 million for the DuJIS county-wide project. See Note III C to the Financial Statements for additional information.

Revenues – Most operating revenues are from equalization surcharges imposed on billed subscribers of network connections provided by telecommunications and wireless carriers, and from accrued interest on the surcharges. Miscellaneous revenues and interest from investments are reported in the General Fund, Special Revenue Fund, and Equalization Fund.

Expenditures – Contractual Services accounted for 72.0% of the \$14.4 million in total expense for fiscal 2017. In addition to the \$4.0 million capital contribution for the DU-COMM project, annual costs for state-wide radio system airtime, consolidation costs for state-mandated PSAP closures, and annual maintenance contracts for all major 9-1-1 systems (each totaling over \$1.0 million) were incurred. Other expenses totaling \$0.9 million included 9-1-1 telecommunication costs, professional service contracts for major project management, and first tier portable radio maintenance.

Variances between Original and Final Budgets – Actual amounts for revenues and expenditures were within the Board approved budget, the final budget, or management expectations for fiscal year ending November 30, 2017. Budgetary comparisons between actual and the final budget can be found on pages 18-20 of the financial statements.

BUDGET, ECONOMIC IMPACT, AND THE FUTURE

The DuPage ETSB primarily operates on equalized 9-1-1 surcharge revenues, which are reported in a separate fund. Changes in telecommunications technology and certain economic conditions can have an impact on DuPage ETSB.

Over the next two years, DuPage ETSB will contribute \$1.7 million of capital for the construction and maintenance of the new PSAP for the Addison Consolidated Dispatch Center (ACDC) project.

While the Board anticipates future cost savings with the replacement of major systems resulting from consolidation of the PSAPs, immediate cost savings were negligible, due to costs incurred to decommission equipment, cancel existing contracts, and migrate agencies to other PSAP's. A significant annual cost, the 9-1-1 trunking tariff (\$878,000), and the telephone and networks associated with the operations and maintenance of these systems were assumed by the State of Illinois on January 1, 2017.

EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
As of and for the Year Ended November 30, 2017

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

BUDGET, ECONOMIC IMPACT, AND THE FUTURE (cont.)

The final 9-1-1 system design will include two brand new Public Safety Answering Points (PSAPs), for the Addison Consolidated Dispatch Center (ACDC) and DuPage Public Safety Communications (DU-COMM) that will be operational in 2018. The new PSAPs and the existing PSAP at the DuPage Sheriff's Office will have new or refreshed hardware with software updates, giving the Board a 7-year infrastructure solution and a 25-year facility solution pending any additional mandates from the Federal government or state statute. This deployment will help to flatten the Board's budget across multiple years and help to prepare for capital equipment replacement when needed.

Wireline usage is still declining as private residences continue to drop any type of hardline for cellular, or like businesses, are opting to transition to Voice Over Internet Protocol (VoIP) digital systems.

The current surcharge of \$1.50 has a statutory sunset of July 1, 2020. The Board can expect a monthly revenue of approximately \$1.0 million dollars with the current surcharge for the 30 months between January 1, 2018 and July 1, 2020. This assumes that the State of Illinois 9-1-1 Advisory Board does not allocate the full \$20.0 million allowable for grants for NG9-1-1 and that the General Assembly does not sweep any funds.

If the surcharge is continued, it is possible that a portion of the increase will be reallocated to support the mandated new NG9-1-1 state-wide network. This redistribution of surcharge could have a financial impact on the Board's 5-year plan. It is not possible to predict the impact of a redistribution of the funds at this time.

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

This financial report is designed to provide a general overview of the Board's financial position for all those with an interest in the Board's finances. Questions concerning any of the information provided in this report, or the requests for additional information, should be addressed to the Emergency Telephone System Board of DuPage County, 421 N. County Farm Road, Wheaton, Illinois 60187.

A complete set of financial statements is available on the County website at
www.dupageco.org/finance

EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
As of November 30, 2017

	Governmental Funds				Governmental Activities	
	General Fund	Special Revenue Fund	Equalization Fund	Total	Adjustments (Note II.A.)	Statement of Net Position
Assets						
Cash and investments	805,148	\$ 6,708,633	\$ 12,018,145	\$ 19,531,926	\$ -	\$ 19,531,926
Accounts receivable	1,064	10,235	18,335	29,634	-	29,634
Due from DuPage County	-	119,214	-	119,214	-	119,214
Due from federal, state and other governmental units	-	1,305,598	2,398,803	3,704,401	-	3,704,401
Prepaid items	54,888	304,923	-	359,811	-	359,811
Capital assets not being depreciated	-	-	-	-	3,023,590	3,023,590
Capital assets being depreciated, net of accumulated depreciation	-	-	-	-	11,068,564	11,068,564
Total Assets	861,100	8,448,603	14,435,283	23,744,986	14,092,154	37,837,140
Deferred Outflows of Resources						
Deferred outflows related to pensions	-	-	-	-	128,913	128,913
Total Assets and Deferred Outflows of Resources	\$ 861,100	\$ 8,448,603	\$ 14,435,283	\$ 23,744,986	\$ 14,221,067	\$ 37,966,053
Liabilities						
Accounts payable	\$ 4,404	\$ 395,678	\$ 264,142	\$ 664,224	\$ -	\$ 664,224
Accrued payroll	-	-	19,128	19,128	-	19,128
Due to DuPage County	86	-	79	165	-	165
Other liabilities	-	-	5,264	5,264	-	5,264
Due to federal, state and other governmental units	75,497	54,262	5,348	135,107	-	135,107
Long-term liabilities, due within one year:						
Compensated absences	-	-	-	-	6,652	6,652
Long-term liabilities, due in more than one year:						
Compensated absences	-	-	-	-	16,909	16,909
Net pension liability	-	-	-	-	270,792	270,792
Total Liabilities	79,987	449,940	293,961	823,888	294,353	1,118,241
Deferred Inflows of Resources						
Deferred inflows of resources related to pensions	-	-	-	-	4,374	4,374
Unavailable revenue	-	119,214	1,232,355	1,351,569	(1,351,569)	-
Total Deferred Inflows of Resources	-	119,214	1,232,355	1,351,569	(1,347,195)	4,374
Fund Balance/Net Position						
Fund Balance						
Nonspendable for prepaids	54,888	304,923	-	359,811	(359,811)	-
Restricted in accordance with state statutes and enabling legislation	726,225	7,574,526	12,908,967	21,209,718	1,541,566	22,751,284
Investment in capital assets	-	-	-	-	14,092,154	14,092,154
Total Fund Balance/Net Position	781,113	7,879,449	12,908,967	21,569,529	15,273,909	36,843,438
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	\$ 861,100	\$ 8,448,603	\$ 14,435,283	\$ 23,744,986	\$ 14,221,067	\$ 37,966,053

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, 2017

	Governmental Funds					Governmental Activities
	General Fund	Special Revenue Fund	Equalization Fund	Total	Adjustments (Note II.B.)	Statement of Activities
Revenues						
Charges for services	\$ -	\$ -	\$ 8,088,981	\$ 8,088,981	\$ 157,182	\$ 8,246,163
Investment income	6,437	95,630	24,067	126,134	-	126,134
Miscellaneous	89,751	21,400	-	111,151	-	111,151
Total Revenues	96,188	117,030	8,113,048	8,326,266	157,182	8,483,448
Expenditures/Expenses						
Current						
Public safety	991,760	9,058,777	1,094,696	11,145,233	1,296,540	12,441,773
Capital outlay	24,200	2,965,931	229,537	3,219,668	(3,219,668)	-
Depreciation	-	-	-	-	2,831,611	2,831,611
Total Expenditures/Expenses	1,015,960	12,024,708	1,324,233	14,364,901	908,483	15,273,384
Net Change in Fund Balance / Net Position	(919,772)	(11,907,678)	6,788,815	(6,038,635)	(751,301)	(6,789,936)
Fund Balance/Net Position - Beginning of Year	1,700,885	19,787,127	6,120,152	27,608,164	16,025,210	43,633,374
Fund Balance/Net Position - End of Year	\$ 781,113	\$ 7,879,449	\$ 12,908,967	\$ 21,569,529	\$ 15,273,909	\$ 36,843,438

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, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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, 2017

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

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 resources 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, 2017

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

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, 2017

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

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, 2017

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

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, 2017, 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, 2017

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

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, 2017

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

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	\$ 3,023,590
Equipment	39,873,270
Less: Accumulated depreciation	<u>(28,804,706)</u>
Combined Adjustment for Capital Assets	<u>\$ 14,092,154</u>
Deferred outflows of resources related to pensions are not recorded in the fund financial statements	<u>\$ 128,913</u>
Adjustment for compensated absences not recorded in the fund financial statements – due within one year	<u>\$ (6,652)</u>
Adjustment for compensated absences not recorded in the fund financial statements – due after one year	<u>\$ (16,909)</u>
Net pension liability is not recorded in the fund financial statements	<u>\$ (270,792)</u>
Deferred inflow of resources related to pensions are not recorded in the fund financial statements	<u>\$ (4,374)</u>
Revenue as a deferred inflow of resources in the fund financial statements for unavailable receivables	<u>\$ 1,351,569</u>

EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2017

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

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	\$ 157,182
Items capitalized are reported as operations expenditures in the general fund	1,989,787
Net pension liability and deferred outflows/inflows of resources related to pensions	(55,528)
Depreciation expense	(2,831,611)
Change in compensated absences	<u>(11,131)</u>
Total Adjustment to Arrive at the Change in Net Position of Governmental Activities	<u>\$ (751,301)</u>

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	\$ 3,532,936	Custodial credit
Money market mutual funds	6,072,484	Credit risk, interest rate risk
US agency securities – implicitly implied	4,699,423	Custodial credit risk, interest rate risk
US Treasury securities	1,316,174	Custodial credit risk, interest rate risk
Corporate bonds	<u>3,910,909</u>	Credit risk, custodial credit risk, concentration of credit risk, interest rate risk
Total deposits and investments	<u>\$ 19,531,926</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.

EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2017

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

A. DEPOSITS AND INVESTMENTS (CONT.)

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, 2017, 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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of November 30, 2017, investments were rated as follows:

	Standard & Poors	Moody's Investors Services
Corporate bonds	BBB+ to AA+	Baa2 to Aaa
Money market mutual funds	AAAm	Aaa-mf
US agency securities – implicitly guaranteed	AA+	Aaa

Concentration of Credit Risk

As of November 30, 2017, the Board did not have any investments in any one issuer that represent 5 percent or more of total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

Investment Type	Fair Value	Maturity (In Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Money market mutual funds	\$ 6,072,484	\$ 6,072,484	\$ -	\$ -	\$ -
US agency securities – implicitly implied	4,699,423	43,321	1,271,532	1,026,445	2,358,125
US treasury securities	1,316,174	1,316,174	-	-	-
Corporate bonds	3,910,909	3,910,909	-	-	-
Total	<u>\$ 15,998,990</u>	<u>\$ 11,342,888</u>	<u>\$ 1,271,532</u>	<u>\$ 1,026,445</u>	<u>\$ 2,358,125</u>

EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2017

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

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.

C. CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Construction in Progress	\$ 1,439,498	\$ 1,736,049	\$ 151,957	\$ 3,023,590
Total Capital Assets Not Being Depreciated	<u>1,439,498</u>	<u>1,736,049</u>	<u>151,957</u>	<u>3,023,590</u>
Capital assets being depreciated				
Equipment	<u>39,467,575</u>	<u>405,695</u>	<u>-</u>	<u>39,873,270</u>
Total Capital Assets Being Depreciated	<u>39,467,575</u>	<u>405,695</u>	<u>-</u>	<u>39,873,270</u>
Total Capital Assets	<u>40,907,073</u>	<u>2,141,744</u>	<u>151,957</u>	<u>42,896,860</u>
Less: Accumulated depreciation for Equipment	<u>25,973,095</u>	<u>2,831,611</u>	<u>-</u>	<u>28,804,706</u>
Total Accumulated Depreciation	<u>25,973,095</u>	<u>2,831,611</u>	<u>-</u>	<u>28,804,706</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 14,933,978</u>	<u>\$ (689,867)</u>	<u>\$ 151,957</u>	<u>\$ 14,092,154</u>

EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2017

NOTE IV – OTHER INFORMATION

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	\$ 1,876,400	\$ -
Priority Dispatch	July 1, 2014	1,777,576	1,422,060	355,516
Motorola Solutions	September 12, 2017	3,220,722	644,144	2,576,578
Total		<u>\$ 6,874,698</u>	<u>\$ 3,942,604</u>	<u>\$ 2,932,094</u>

EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2017

NOTE IV – OTHER INFORMATION (cont.)

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.

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, 2017

NOTE IV – OTHER INFORMATION (cont.)

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 2016 was 12.43% 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, 2016 is available in the separately issued DuPage County Comprehensive Annual Financial Report as of and for the year ended November 30, 2017.

Net pension liability/(asset). The net pension liabilities/(assets) were measured as of December 31, 2016, 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	\$ 270,792
County's proportionate share of the collective net pension liability	<u>120,684,669</u>
Total	<u>\$ 120,955,461</u>

The net pension liability was measured as of December 31, 2016. 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, 2017, relative to the total contributions of the Board and County during that period. At November 30, 2017, the Board's proportion was 0.2239%. The Board's proportion at November 30, 2016 was 0.2188%.

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.

Actuarial Assumptions. The assumptions used to measure the total pension liability in the December 31, 2016 annual actuarial valuation included a 7.50% 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 2016 valuation pursuant to an experience study of the period 2012-2014.

EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2017

NOTE IV – OTHER INFORMATION (cont.)

C. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Mortality. For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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 2012). 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 2012). 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%	8.30%	6.85%
International equities	17.00%	8.45%	6.75%
Fixed income	27.00%	3.05%	3.00%
Real estate	8.00%	6.90%	5.75%
Alternatives	9.00%		
Private equity		12.45%	7.35%
Hedge funds		5.35%	5.25%
Commodities		4.25%	2.65%
Cash equivalents	1.00%	2.25%	2.25%

Discount rate. The discount rate used to measure the total collective pension liability for IMRF was 7.50%. The discount rate calculated using the December 31, 2015 measurement date was 7.47%. 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 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended November 30, 2017

NOTE IV – OTHER INFORMATION (cont.)

C. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 7.50% 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 (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Board's proportionate share of the collective net pension liability	\$ 491,993	\$ 270,792	\$ 90,229

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the year ended November 30, 2017, the Board recognized pension expense of \$55,528. The Board reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,502	\$ -
Changes in assumptions	6,977	4,374
Net difference between projected and actual earnings on pension plan investments	80,814	-
Contributions subsequent to the measurement date	31,620	-
Total	<u>\$ 128,913</u>	<u>\$ 4,374</u>

The amount reported as deferred outflows and inflows of resources 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 (\$92,919) will be recognized in pension expense as follows:

Year Ending December 31	Amount
2017	\$ 38,137
2018	29,385
2019	23,663
2020	1,734
Total	<u>\$ 92,919</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, 2017

With Comparative Actual Amounts For The Year Ended November 30, 2016

	2017				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2016
Revenues					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 194,259
Investment income	-	-	6,437	6,437	44,211
Miscellaneous	100,000	100,000	89,751	(10,249)	124,647
Total Revenues	100,000	100,000	96,188	(3,812)	363,117
Expenditures					
Public Safety					
Personnel Services					
Salaries	-	-	-	-	416,133
Benefits	-	-	-	-	137,869
Total Personnel Services	-	-	-	-	554,002
Commodities					
Equipment	3,000	3,000	1,182	1,818	40,154
Other commodities	5,000	5,250	1,998	3,252	2,098
Total Commodities	8,000	8,250	3,180	5,070	42,252
Contractual Services					
Professional services	30,400	30,400	19,516	10,884	21,196
Insurance	-	-	-	-	97,316
Utilities	63,059	63,059	25,983	37,076	173,040
Repairs and maintenance	1,023,101	1,023,021	714,523	308,498	987,717
Rentals	2,000	2,000	1,707	293	53,187
Travel expenditure	-	-	-	-	19,528
Training and education	-	-	-	-	31,030
Other contractual services	568,635	556,465	226,851	329,614	261,761
Total Contractual Services	1,687,195	1,674,945	988,580	686,365	1,644,775
Capital Outlay					
Capital outlay	45,000	57,000	24,200	32,800	34,165
Total Capital Outlay	45,000	57,000	24,200	32,800	34,165
Total Public Safety	1,740,195	1,740,195	1,015,960	724,235	2,275,194
Total Expenditures	1,740,195	1,740,195	1,015,960	724,235	2,275,194
Net Change in Fund Balance	(1,640,195)	(1,640,195)	(919,772)	720,423	(1,912,077)
Fund Balance - Beginning of Year	1,700,885	1,700,885	1,700,885	-	3,612,962
Fund Balance - End of Year	\$ 60,690	\$ 60,690	\$ 781,113	\$ 720,423	\$ 1,700,885

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, 2017 With Compative Actual Amounts For The Year Ended November 30, 2016

	2017			Variance with Final Budget	2016
	Original Budget	Final Budget	Actual		
Revenues					
Charges for services	\$ 931,980	\$ 931,980	\$ -	\$ (931,980)	\$ 2,208,735
Investment income	-	-	95,630	95,630	35,935
Miscellaneous	-	-	21,400	21,400	19,247
Total Revenues	<u>931,980</u>	<u>931,980</u>	<u>117,030</u>	<u>(814,950)</u>	<u>2,263,917</u>
Expenditures					
Public Safety					
Contractual Services					
Professional services	715,250	637,383	336,592	300,791	294,709
Utilities	1,625,682	825,682	414,421	411,261	389,894
Repairs and maintenance	1,309,968	1,309,968	876,262	433,706	916,316
Other contractual services	<u>6,919,982</u>	<u>7,719,982</u>	<u>7,431,502</u>	<u>288,480</u>	<u>2,040,036</u>
Total Contractual Services	10,570,882	10,493,015	9,058,777	1,434,238	3,640,955
Capital Outlay					
Capital outlay	<u>7,550,085</u>	<u>7,627,952</u>	<u>2,965,931</u>	<u>4,662,021</u>	<u>1,772,395</u>
Total Capital Outlay	<u>7,550,085</u>	<u>7,627,952</u>	<u>2,965,931</u>	<u>4,662,021</u>	<u>1,772,395</u>
Total Public Safety	<u>18,120,967</u>	<u>18,120,967</u>	<u>12,024,708</u>	<u>6,096,259</u>	<u>5,413,350</u>
Total Expenditures	<u>18,120,967</u>	<u>18,120,967</u>	<u>12,024,708</u>	<u>6,096,259</u>	<u>5,413,350</u>
Net Change in Fund Balance	(17,188,987)	(17,188,987)	(11,907,678)	5,281,309	(3,149,433)
Fund Balance - Beginning of Year	<u>19,787,127</u>	<u>19,787,127</u>	<u>19,787,127</u>	-	<u>22,936,560</u>
Fund Balance - End of Year	<u>\$ 2,598,140</u>	<u>\$ 2,598,140</u>	<u>\$ 7,879,449</u>	<u>\$ 5,281,309</u>	<u>\$ 19,787,127</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, 2017
With Compative Actual Amounts For The Year Ended November 30, 2016

	2017				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2016
Revenues					
Charges for services	\$ 8,000,000	\$ 8,000,000	\$ 8,088,981	\$ 88,981	\$ 6,117,242
Investment income	-	-	24,067	24,067	2,910
Total Revenues	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,113,048</u>	<u>113,048</u>	<u>6,120,152</u>
Expenditures					
Public Safety					
Personnel Services					
Salaries	717,916	717,916	524,344	193,572	-
Benefits	<u>243,583</u>	<u>243,583</u>	<u>147,081</u>	<u>96,502</u>	-
Total Personnel Services	961,499	961,499	671,425	290,074	-
Commodities					
Equipment	456,000	293,200	132,005	161,195	-
Other commodities	<u>5,500</u>	<u>5,500</u>	<u>416</u>	<u>5,084</u>	-
Total Commodities	461,500	298,700	132,421	166,279	-
Contractual Services					
Professional services	5,000	5,000	-	5,000	-
Insurance	100,000	119,150	113,688	5,462	-
Utilities	292,084	292,084	52,738	239,346	-
Repairs and maintenance	40,615	40,615	3,667	36,948	-
Rentals	8,581	8,581	8,580	1	-
Travel expenditure	41,000	41,000	23,831	17,169	-
Training and education	101,800	101,800	17,503	84,297	-
Other contractual services	<u>104,950</u>	<u>104,950</u>	<u>70,843</u>	<u>34,107</u>	-
Total Contractual Services	694,030	713,180	290,850	422,330	-
Capital Outlay					
Capital outlay	<u>365,000</u>	<u>508,650</u>	<u>229,537</u>	<u>279,113</u>	-
Total Capital Outlay	<u>365,000</u>	<u>508,650</u>	<u>229,537</u>	<u>279,113</u>	-
Total Public Safety	<u>2,482,029</u>	<u>2,482,029</u>	<u>1,324,233</u>	<u>1,157,796</u>	-
Total Expenditures	<u>2,482,029</u>	<u>2,482,029</u>	<u>1,324,233</u>	<u>1,157,796</u>	-
Net Change in Fund Balance	5,517,971	5,517,971	6,788,815	1,270,844	6,120,152
Fund Balance - Beginning of Year	<u>6,120,152</u>	<u>6,120,152</u>	<u>6,120,152</u>	-	-
Fund Balance - End of Year	<u>\$ 11,638,123</u>	<u>\$ 11,638,123</u>	<u>\$ 12,908,967</u>	<u>\$ 1,270,844</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 Three Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Board's proportion of the net pension liability	0.2239%	0.2188%	0.2100%
Board's proportionate share of the net pension liability	\$ 270,792	\$ 258,848	\$ 153,126
County's proportionate share of the net pension liability	<u>120,684,669</u>	<u>118,034,165</u>	<u>72,765,408</u>
Total net pension liability	<u>\$ 120,955,461</u>	<u>\$ 118,293,013</u>	<u>\$ 72,918,534</u>
Covered-employee payroll	\$ 285,326	\$ 266,257	\$ 262,727
Board's proportionate share of the net pension liability as a percentage of covered payroll	94.91%	97.22%	58.28%
Plan fiduciary net position as a percentage of the total pension liability	84.95%	84.92%	90.58%
Contractually required contribution	\$ 35,157	\$ 31,365	\$ 30,503
Contributions in relation to the contractually required contribution	<u>(35,466)</u>	<u>(30,087)</u>	<u>(30,506)</u>
Contribution deficiency (excess)	<u>\$ (309)</u>	<u>\$ 1,278</u>	<u>\$ (3)</u>
Contributions as a percentage of covered employee payroll	12.43%	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 2017 reflect an investment rate of return of 7.5 percent, an inflation rate of 2.8 percent, and a salary increase assumption of 3.8 percent to 14.5 percent including inflation.

EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended November 30, 2017

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.