

**DuPage County Emergency  
Telephone System Board**

**Component Unit  
Annual Financial Report**

**For the Year Ended  
November 30, 2011**

**Wolf & Company LLP**  
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT**



INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman  
Members of the Board  
DuPage County Emergency Telephone System Board

We have audited the financial statements of the governmental activities, each major fund, and budgetary comparisons for the General Fund and Special Revenue Fund of the DuPage County Emergency Telephone System Board, a component unit of DuPage County, Illinois, as of and for the year ended November 30, 2011, as listed in the accompanying table of contents. These financial statements are the responsibility of the DuPage County Emergency Telephone System Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the DuPage County Emergency Telephone System Board as of November 30, 2011, and the results of its operations and the respective budgetary comparison information for the General and Special Revenue Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2012, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Oakbrook Terrace, Illinois  
April 30, 2012

*Wolf & Company LLP*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **General Information**

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 DuPage County and those DuPage County municipalities that include territory within Cook, Kane and Will Counties, with the exception of the City of Aurora, Village of Burr Ridge and the City of Naperville. These local municipalities have established their own emergency telephone system boards.

The participating voters of DuPage County and portions of Cook, Kane and Will Counties approved a fifty cent (.50) surcharge per wireline telephone network connection for the implementation of an Enhanced 9-1-1 system. While the rate of the surcharge is 50 cents, it should be noted that 3 cents is withheld for administration by the Competitive Local Exchange Carrier ["CLEC" or "Carrier"] and 15 cents earmarked for selective routing services. The remaining surcharge that is collected supports costs of the personnel, maintenance and replacement infrastructure and system applications that make up the DuPage ETSB E9-1-1 system, including Computer Aided Dispatch and Call Handling Equipment at the ten (10) Public Safety Answering Points ("PSAPs"). Due to the economy, over the last three years consolidation of PSAPs is continuing with an additional six (6) centers closing in 2011.

In response to increasing wireless use, the Illinois General Assembly enacted a Wireless 9-1-1 Surcharge in the amount of 75 cents per wireless network connection. The surcharge is remitted by the wireless carriers to the State of Illinois. The Illinois Comptroller, based on zip codes, disburses 50 cents per wireless network connection on a monthly basis to the Board. The receipt of wireless surcharge is approximately four months in arrears based on this process.

This Management's Discussion and Analysis 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.

### **Financial Highlights**

- The Board's Assets exceed its Liabilities by \$44,296,025 as of November 30, 2011.
- Capital Assets of \$19,026,704, net of accumulated depreciation, include 9-1-1 telephone equipment for the public safety answering points [PSAPs], one computer aided dispatch (CAD) system running on two platforms, the current DuPage Interoperable Radio Backup System ("DIRS), a records management system, and a county-wide radio system.
- Unrestricted net assets of \$4,930,147 are available to maintain the continuing operations of the Board.
- As a result of the current year operations, Net Assets total \$44,296,025, which is an increase of \$4,128,342 from the previous year.

**EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**USING THE FINANCIAL SECTION OF THE ANNUAL REPORT**

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 Governmental Fund Statement of Net Assets and a Governmental Fund 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 Assets 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 assets/fund balances. Over time, increases or decreases in net assets 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 Assets presents information showing how the Board's net assets/fund balances changed during the most recent fiscal year. All changes in net assets 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. Both the General and Special Revenue 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 the Financial Statements**

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

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

Total Fund Balances of \$25,301,929 included \$128,334 reserved for prepaid items. \$20,339,174 is restricted, while \$4,834,421 remained as unassigned at November 30, 2011.

The data provided on pages 5 and 6 is presented on the accrual basis of accounting. All costs are presented including depreciation, shown as an adjustment below. The following table summarizes the changes in the Board's total fund balance and net assets for the fiscal year ending November 30, 2011.

**EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Capital Assets**

During 2011, capital assets increased by \$18,610,058. This majority of this increase is due to the acquisition of emergency dispatch interoperable radio equipment for a county-wide system authorized in a change order executed in December, 2010. Consolidation within the Board's service area is not limited to PSAPs. The consolidation of radio systems utilized by sixty-five agencies maximizes the use of surcharge funds and eliminates redundancy of equipment while creating a seamless, interoperable network. This is a significant undertaking which will enhance the delivery of 9-1-1 services throughout the Board's service area as well as mutual aid public safety partners. The capital assets acquired in 2011 include portable radios for police, fire and EMS as well as radio consoles and logging equipment for PSAPs.

Prior construction of \$3,093,280 was completed in 2011, and put into service. After recording depreciation of \$426,329, the net capital assets showed an increase of \$15,090,449. See Note 1.D for further capital asset information.

**Revenue**

The Board receives the majority of its operating revenue from the wireline and wireless telephone surcharge imposed on subscribers' bills and the interest accrued on the surcharge. Surcharge and interest from wireless services are reported in the Special Revenue Fund.

In addition, in 2007 the Board was awarded a \$2.35 million Public Safety Interoperable Communications ("PSIC") grant through the Illinois Emergency Management Agency. This grant was created to increase the usage of Illinois' interoperability platform and enhance interoperable communication with respect to voice signals. PSIC provides public safety agencies with the opportunity to achieve meaningful and measurable improvements to the state of public safety communications interoperability through the full and efficient use of voice-based telecommunication resources. The Board received an extension for the use of these funds and was able to complete the financial closeout of the grant in January of 2011 through the purchase of 585 portable radios as authorized by the grant.

**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 telephony 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, 2011, along with various budget adjustments made during the fiscal year. Budgetary comparisons can be found on pages 10 and 11 of the report.



**EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Summary of Net Assets**

GOVERNMENTAL FUNDS BALANCE SHEET AND  
STATEMENT OF NET ASSETS

	Governmental		Statement of Net Assets	
	Fund Total	Adjustments	2011	2010
<b>Assets</b>				
Current Assets	\$ 30,117,344		30,117,344	\$ 36,641,645
Capital Assets, Not Depreciated				
Construction in Progress				3,093,280
Capital Assets, Net of				
Accumulated Depreciation		19,026,704	19,026,704	842,975
Total Capital Assets	-	19,026,704	19,026,704	3,936,255
Total Assets	\$ 30,117,344	19,026,704	49,144,048	40,577,900
<b>Liabilities</b>				
Current Liabilities	\$ 4,815,415	9,782	4,825,197	402,025
Noncurrent Liabilities		22,826	22,826	8,192
Total Liabilities	4,815,415	32,608	4,848,023	410,217
<b>Fund Balances</b>				
Nonspendable	128,334	(128,334)		
Restricted	20,339,174	(20,339,174)		
Unassigned	4,834,421	(4,834,421)		
Total Fund Balances	25,301,929	(25,301,929)	-	-
Total Liabilities and Fund Balances	\$ 30,117,344	(25,269,321)		
<b>Net Assets</b>				
Invested in Capital Assets		19,026,704	19,026,704	3,936,255
Restricted		20,339,174	20,339,174	
Unrestricted		4,930,147	4,930,147	36,231,428
Total Net Assets		18,994,096	44,296,025	40,167,683

**EMERGENCY TELEPHONE SYSTEM BOARD OF DUPAGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Summary of Changes in Net Assets**

OVERVIEW OF THE STATEMENT OF ACTIVITIES

	2011		2010	
	Governmental Funds	% of Revenues	Governmental Funds	% of Revenues
<b>Revenues</b>				
Surcharge Fees	\$ 8,125,946	76.3	\$ 7,801,479	98.9
Interest	21,704	0.2	70,501	0.9
Miscellaneous	2,500,099	23.5	20,098	0.2
Total Revenues	<u>10,647,749</u>	<u>100.0</u>	<u>7,892,078</u>	<u>100.0</u>
<b>Expenditures</b>				
Current				
Public Safety	4,140,015	38.9	3,230,298	40.9
Capital Outlay	17,448,936	163.9	719,378	9.1
Total Expenditures	<u>21,588,951</u>	<u>202.8</u>	<u>3,949,676</u>	<u>50.0</u>
Change in Fund Balance	(10,941,202)	<u>(102.8)</u>	3,942,402	<u>50.0</u>
Depreciation	(426,329)		(531,974)	
Adjustments*				
Adjustment for Capitalized Assets	15,516,778		28,849	
Adjustment for Compensated Absences	<u>(20,905)</u>		<u>(11,703)</u>	
Change in Net Assets	<u>\$ 4,128,342</u>		<u>3,427,574</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. Accrued compensated absences 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**

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**Economic Conditions**

The Board primarily operates on wireline and wireless surcharge revenue. The Board is affected by changes in telecommunications technology and the current economic conditions. The revenue increases in the wireline and wireless counts were 7.2% and 2.6%, respectively, from fiscal year ending November 30, 2010 compared with 2011.

The wireline surcharge is determined by referendum. The current surcharge is \$.50. This amount is the lowest within the State, with a range of \$.50 to \$5.00.

In 2010, 220 ILCS 5/13-401.2 was amended to include Voice Over Internet Protocol ("VoIP") telephones. This will require VoIP carriers to register with ICC and remit .50 per line in the same manner as current landline CLEC providers. The General Assembly recognized the citizen transition away from traditional wireline and towards VoIP systems. In 2011, the Board received approximately \$51,578 from VoIP users. This represents two percent (0.02%) of wireline revenue.

With respect to wireless surcharge, the most significant issue for the approximately \$4.5 million annually received by this fund is the sunset of this statute in 2013. There is pending legislation to extend the surcharge to 2019. The outcome is neither reasonable nor possible to estimate at this time. However, attempts to extend the wireless surcharge in the last two general sessions have been unsuccessful.

In addition, the carrier portion of the wireless fund has been swept by the Governor. The result of these sweeps is twofold: 1) it reduces any surplus payments made to the Board and 2) the sweep makes the Board and its users ineligible for federal grants for certain time periods.

In 2011, the Illinois General Assembly passed legislation to allow for surcharge to be collected for pre-paid telephone cards and telephones. This surcharge will become effective January 1, 2012. There is no available data with which to estimate any increase in revenues from this source.

With the elimination of 10 PSAPs over the last three years, it is anticipated that the Board will begin to recognize cost savings in future fiscal years. Immediate cost savings are not significant due to cost to decommission equipment, penalties for cancellation of existing contracts and costs to migrate agencies to other PSAPs.

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

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

## **FINANCIAL STATEMENTS**

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD  
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

NOVEMBER 30, 2011

	Governmental Fund Types			Adjustments	Statement of Net Assets
	General Fund	Special Revenue Fund	Total		
<b>Assets</b>					
Cash and Investments	\$ 4,981,685	23,957,982	28,939,667		28,939,667
Receivables					
Surcharge Fees	123,428	925,915	1,049,343		1,049,343
Prepays	128,334		128,334		128,334
	<u>5,233,447</u>	<u>24,883,897</u>	<u>30,117,344</u>	<u>-</u>	<u>30,117,344</u>
Capital Assets, Net of Accumulated Depreciation				19,026,704	19,026,704
<b>Total Assets</b>	<u>\$ 5,233,447</u>	<u>24,883,897</u>	<u>30,117,344</u>	<u>19,026,704</u>	<u>49,144,048</u>
<b>Liabilities</b>					
Accounts Payable	\$ 255,115	4,544,723	4,799,838		4,799,838
Accrued Payroll	15,577		15,577		15,577
Accrued Compensated Absences - Current				9,782	9,782
Accrued Compensated Absences - Noncurrent				22,826	22,826
<b>Total Liabilities</b>	<u>270,692</u>	<u>4,544,723</u>	<u>4,815,415</u>	<u>32,608</u>	<u>4,848,023</u>
<b>Fund Balances</b>					
Nonspendable					
Prepays	128,334		128,334	(128,334)	
Restricted		20,339,174	20,339,174	(20,339,174)	
Unassigned	4,834,421		4,834,421	(4,834,421)	
	<u>4,962,755</u>	<u>20,339,174</u>	<u>25,301,929</u>	<u>(25,301,929)</u>	<u>-</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,233,447</u>	<u>24,883,897</u>	<u>30,117,344</u>		
<b>Net Assets</b>					
Invested in Capital Assets				19,026,704	19,026,704
Restricted				20,339,174	20,339,174
Unrestricted				4,930,147	4,930,147
<b>Total Net Assets</b>				<u>18,994,096</u>	<u>44,296,025</u>

See accompanying Notes to the Financial Statements.

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD  
 STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES/NET ASSETS

FOR THE YEAR ENDED NOVEMBER 30, 2011

	Governmental Fund Types			Adjustments	Statement of Activities
	General Fund	Special Revenue Fund	Total		
<b>Revenues</b>					
Surcharge Fees	\$ 2,881,314	5,244,632	8,125,946		8,125,946
Other Fees	105,486		105,486		105,486
Intergovernmental Revenue		2,350,000	2,350,000		2,350,000
Interest	3,343	18,361	21,704		21,704
Miscellaneous	44,613		44,613		44,613
Total Revenues	<u>3,034,756</u>	<u>7,612,993</u>	<u>10,647,749</u>	-	<u>10,647,749</u>
<b>Expenditures</b>					
Current					
Public Safety	3,345,190	794,825	4,140,015	1,953,063	6,093,078
Depreciation				426,329	426,329
Capital Outlay		17,448,936	17,448,936	(17,448,936)	
Total Expenditures	<u>3,345,190</u>	<u>18,243,761</u>	<u>21,588,951</u>	<u>(15,069,544)</u>	<u>6,519,407</u>
Change in Fund Balances/Net Assets	(310,434)	(10,630,768)	(10,941,202)	15,069,544	4,128,342
<b>Fund Balances/Net Assets</b>					
Beginning of Year	<u>5,273,189</u>	<u>30,969,942</u>	<u>36,243,131</u>	<u>3,924,552</u>	<u>40,167,683</u>
End of Year	<u>\$ 4,962,755</u>	<u>20,339,174</u>	<u>25,301,929</u>	<u>18,994,096</u>	<u>44,296,025</u>

See accompanying Notes to the Financial Statements.

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD  
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

FOR THE YEAR ENDED NOVEMBER 30, 2011

	2011				2010 Actual
	Original Budget	Final Budget	Actual	Over (Under) Final Budget	
<b>Revenues</b>					
Surcharge Fees	\$ 2,502,600	2,502,600	2,881,314	378,714	2,687,352
Other Fees			105,486	105,486	
Interest	50,000	50,000	3,343	(46,657)	11,781
Miscellaneous	8,400	8,400	44,613	36,213	20,098
Total Revenues	<u>2,561,000</u>	<u>2,561,000</u>	<u>3,034,756</u>	<u>473,756</u>	<u>2,719,231</u>
<b>Expenditures</b>					
<b>Current</b>					
<b>Public Safety</b>					
Personnel	531,384	531,384	509,654	(21,730)	344,796
<b>Commodities</b>					
Office Supplies and Materials	6,277	6,777	5,978	(799)	4,511
Machinery and Equipment	163,711	220,047	157,994	(62,053)	80,895
	<u>169,988</u>	<u>226,824</u>	<u>163,972</u>	<u>(62,852)</u>	<u>85,406</u>
<b>Contractual</b>					
Postage	1,119	1,637	1,119	(518)	774
Accounting and Auditing Services	18,000	18,000	13,000	(5,000)	13,500
Instruction and Schooling	7,480	7,480	5,773	(1,707)	750
Printing and Publishing	1,500	1,500	945	(555)	730
Mileage Travel Expense	23,400	23,400	8,236	(15,164)	7,149
Telecommunications	1,342,011	1,342,011	939,100	(402,911)	869,400
Rental of Office Space	1	1		(1)	
Contractual	430,000	430,000	399,208	(30,792)	284,270
Insurance	200,000	200,000	80,025	(119,975)	84,585
Repairs and Maintenance	1,341,114	1,343,161	1,212,936	(130,225)	1,118,362
Professional					40,067
Meeting Expenses	3,000	3,000	40	(2,960)	130
Contingencies	294,159	288,318		(288,318)	
Legal Services	5,000	5,000	30	(4,970)	855
Utilities	14,500	14,500	11,152	(3,348)	15,204
	<u>3,681,284</u>	<u>3,678,008</u>	<u>2,671,564</u>	<u>(1,006,444)</u>	<u>2,435,776</u>
Total Current	4,382,656	4,436,216	3,345,190	(1,091,026)	2,865,978
<b>Capital Outlay</b>					
Equipment	398,464	342,128		(342,128)	718,918
Total Expenditures	<u>4,781,120</u>	<u>4,778,344</u>	<u>3,345,190</u>	<u>(1,433,154)</u>	<u>3,584,896</u>
Net Change in Fund Balance	(2,220,120)	(2,217,344)	(310,434)	1,906,910	(865,665)
<b>Fund Balance</b>					
Beginning of Year	5,273,189	5,273,189	5,273,189		6,138,854
End of Year	<u>\$ 3,053,069</u>	<u>3,055,845</u>	<u>4,962,755</u>	<u>1,906,910</u>	<u>5,273,189</u>

See accompanying Notes to the Financial Statements.

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD  
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

FOR THE YEAR ENDED NOVEMBER 30, 2011

	2011			2010 Actual
	Original/ Final Budget	Actual	Over (Under) Final Budget	
Revenues				
Surcharge Fees	\$ 5,000,000	5,244,632	244,632	5,114,127
Intergovernmental Revenue	2,350,000	2,350,000		
Interest	50,000	18,361	(31,639)	58,720
Total Revenues	<u>7,400,000</u>	<u>7,612,993</u>	<u>212,993</u>	<u>5,172,847</u>
Expenditures				
Contractual				
Telecommunications	3,379,760	794,825	(2,584,935)	364,320
Capital Outlay				
Equipment	21,404,776	17,448,936	(3,955,840)	460
Total Expenditures	<u>24,784,536</u>	<u>18,243,761</u>	<u>(6,540,775)</u>	<u>364,780</u>
Net Change in Fund Balance	(17,384,536)	(10,630,768)	6,753,768	4,808,067
Fund Balance				
Beginning of Year	<u>30,969,942</u>	<u>30,969,942</u>		<u>26,161,875</u>
End of Year	<u>\$ 13,585,406</u>	<u>20,339,174</u>	<u>6,753,768</u>	<u>30,969,942</u>

See accompanying Notes to the Financial Statements.



DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2011

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1. Summary of Significant Accounting Policies

The financial statements of the DuPage County Emergency Telephone System Board (Board), a component unit of DuPage County, Illinois, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Description of the Reporting Entity

The DuPage County Emergency Telephone System Board was established on June 13, 1989, pursuant to the "Emergency Telephone System Act" (50 ILCS 750/15.4). The Board operates under an amended by-law agreement dated December 9, 2008.

The Board operates under the direction of the Board of Representatives. In evaluating how to define the Board for financial reporting purposes, management has considered potential component units as required by Governmental Accounting Standards Board Statement No. 14. This statement requires that any entity which is financially accountable (as defined) to the Board should be included in the financial reporting entity. Based upon those criteria, there are no potential component units to be included in these financial statements. The Board itself is a component unit of DuPage County, Illinois.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Board are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The Board has the following fund type:

*Governmental Fund Types -*

Governmental Funds are used to account for the Board's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Board considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2011

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1. Summary of Significant Accounting Policies (Cont.)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Cont.)

Surcharges for emergency telephone service collected by carriers for service during the fiscal year not distributed to the Board at fiscal year end are considered available and are, therefore, recognized as revenue.

The basic financial statements also include, in a columnar format, the statement of net assets and statement of activities. These financial statements are presented using the "economic resources" measurement focus and full accrual accounting method. Accordingly, adjustments are required to convert the fund financial statements which use the current financial resources focus. These adjustments consist of differences in reporting capital assets, and certain accrued compensated absences. Acquisition or construction of long-term capital assets are shown as expenditures of the funds, but are reported on the statement of net assets and depreciated over estimated useful lives in the statement of activities. See Note 4 for a description of these adjustments.

Governmental funds include the following fund types:

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

The *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.

C. Budgets

Formal budgetary integration is employed as a management control procedure during the year for the General and Special Revenue Funds, for which annual budgets are legally required to be adopted. For budgetary purposes, the modified accrual basis of accounting is followed by the Board. Revisions to the budget are made in accordance with the Illinois Compiled Statutes, requiring Emergency Telephone System Board approval for transfers between budget line items and County Board approval for amendments to total appropriations. There were no changes to the total appropriation for the year ended November 30, 2011.

Fiscal control is exercised at the line item level to insure that disbursements and outstanding encumbrances do not exceed available budgeted amounts. Line items may be defined as specific objects of expenditures, the lowest level of identification.

Budgetary control is exercised by establishing and monitoring expenditures and encumbrances at the line item level. At the end of the fiscal year, unexpended appropriations automatically lapse.

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2011

1. Summary of Significant Accounting Policies (Cont.)

D. Capital Assets

Capital assets include equipment used in operations and are reported on the entity-wide statement of net assets. Capital assets are determined by the Board as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Equipment is depreciated using the straight-line method and a useful life of 3-10 years.

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated				
Equipment	\$ 13,303,224	18,610,058		31,913,282
Less Accumulated Depreciation	(12,460,249)	(426,329)		(12,886,578)
	842,975	18,183,729		19,026,704
Construction in Progress	3,093,280		3,093,280	
Capital Assets, Net	\$ 3,936,255	18,183,729	3,093,280	19,026,704

E. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

F. Accounting Estimates

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

G. Compensated Absences

Vested or accumulated vacation, sick leave and compensatory time are reported as an expenditure and a fund liability of the governmental fund that will pay it once retirement or separation has occurred. Vested or accumulated vacation, sick leave, compensatory time and employee retention incentives of governmental activities are recorded as an expense and liability as the benefits accrue to employees.

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2011

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1. Summary of Significant Accounting Policies (Cont.)

L. Fund Balances/Net Assets

During the year ended November 3, 2011, the Board implemented GASB Standard No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which enhanced the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and by clarifying the existing governmental fund type definitions. Previously, fund balance of government funds was divided into three categories - reserved, unreserved/designated and unreserved/undesignated. The new reporting requirements eliminated those categories and replaced them with five new categories described below.

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. None of the restricted fund balances result from enabling legislation adopted by the Board. Committed fund balance, if any, is constrained by formal actions of the Board's Board of Representatives, which is considered the Board's highest level of decision making authority. Assigned fund balance represents amounts constrained by the Board's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Board's executive director through the approved fund balance policy of the District. Any residual fund balance of the General Fund is reported as unassigned.

The Board's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the Board considers committed funds to be expended first followed by assigned and then unassigned funds.

2. Cash and Investments

Permitted Deposits and Investments - Statutes authorize the Board to make deposits/investments in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Money Market Fund. Deposits are held by the DuPage County Treasurer and are thus subject to County investment policies.

Deposits - At November 30, 2011, the carrying amount of the Board's deposits totaled \$28,939,667 and the bank balances totaled \$29,190,023. The entire bank balance was insured or collateralized. Included in deposits are money market funds of \$26,303,993.

3. Self-Insurance

The Board participates in the County's self-insurance program for general liability and workers' compensation. The Board has also purchased excess liability coverage through a private insurance carrier.

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

NOTES TO THE FINANCIAL STATEMENTS  
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4. Adjustments

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Board as a whole.

Accrued compensated absences do not require the use of current assets, and therefore, are not reported in the governmental funds. The statement of net assets includes a liability of \$32,608 for accrued compensated absences of which \$9,782 is a current liability. The statement of activities includes the related expense of \$20,905.

Fund Balance of Governmental Funds	\$ 25,301,929
Cost of Capital Assets	31,913,282
Accumulated Depreciation	(12,886,578)
Accrued Compensated Absences	<u>(32,608)</u>
Net Assets	<u>\$ 44,296,025</u>

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Change in Fund Balances	\$ (10,941,202)
Capital Asset Additions	15,516,778
Depreciation Expense	(426,329)
Change in Compensated Absences	<u>(20,905)</u>
Change in Net Assets	<u>\$ 4,128,342</u>

5. Commitments

The DuPage County Emergency Telephone System Board has entered into the following Communications System Agreements:

	Original Contract Date	Contract Amount	Amount Expended	Change Order	Amount Remaining
Motorola, Inc.	September 14, 2006	\$ 13,630,513	13,047,639	15,003,246	15,586,120
Hanson Professional Professional Services, Inc.	May 15, 2009	1,034,264	620,804		413,460
		<u>\$ 14,664,777</u>	<u>13,668,443</u>	<u>15,003,246</u>	<u>15,999,580</u>

The Amount Expended for Motorola includes a credit of \$2,726,103 for payments made in 2006 and 2008 prior to the Change Order.

DUPAGE COUNTY EMERGENCY TELEPHONE SYSTEM BOARD

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6. Litigation

The Board is party to various legal proceedings arising out of the normal course of business. The entity believes that there is no proceeding, either threatened or pending, against the entity that could result in a material adverse effect on the results of operations or the financial condition of the entity.

7. Subsequent Events

Management has evaluated subsequent events through April 30, 2012, the date the financial statements were available to be issued.